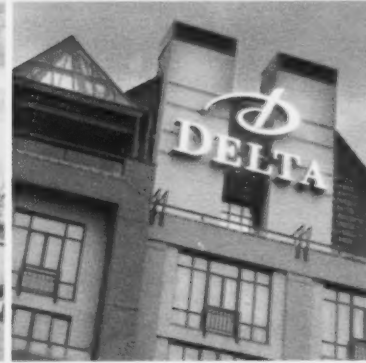




Investment
Management
Corporation



Buying businesses
we believe in

REAL ASSET STRENGTH

Annual Report 2007 | 2008

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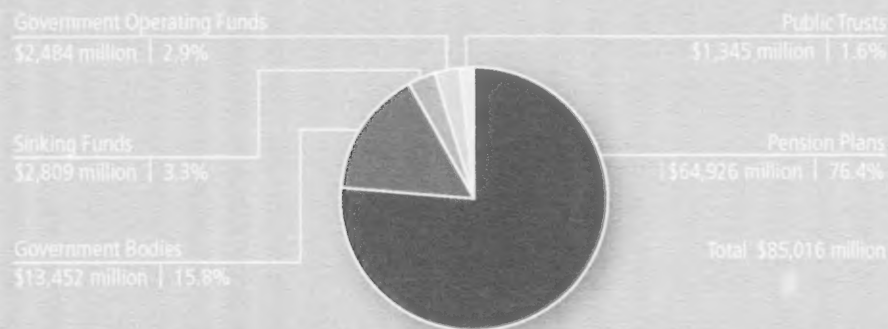
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The British Columbia Investment Management Corporation (bclMC) is an investment manager that works in partnership with our clients to consistently deliver high returns over the long term through cost-effective and responsible investing.

We offer funds management services for all major asset classes: currencies, short and long term fixed income securities, infrastructure, mortgages, public equities, private equities, and real estate. Our clients include public sector pension plans, the Province of British Columbia, publicly administered trust funds, public bodies, and designated institutions.

bclMC is one of Canada's largest investment managers and administers over \$85 billion in assets. For more information visit www.bcimc.com.

Client Profile at March 31, 2008



Highlights of the Year

1 Acquired CHIP REIT, a Canadian integrated hotel real estate investment trust, for \$1.2 billion. We also acquired Delta Hotels Ltd., a brand and hotel-management platform, and three additional hotel properties.

2 The annualized return for a bclMC balanced pension portfolio for a five-year period was 11.5 per cent compared to a benchmark of 10.7 per cent.

3 Committed \$3.9 billion to the acquisition of real assets in Canada, the U.S., Asia, Europe, and Mexico.

4 Participated in a consortium that committed to acquire Puget Energy Inc., a regulated energy utility in Washington State, U.S.

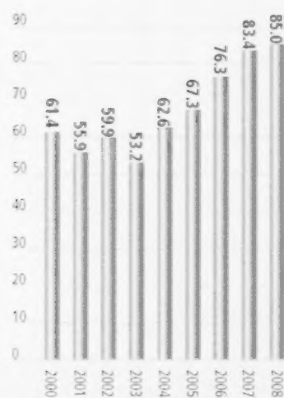
5 Completed five major development projects of rentable office, retail, and industrial space in British Columbia, Alberta, and Ontario.

6 Committed a record \$1.7 billion to new commercial mortgages throughout Canada.

7 Ongoing management of 15 active real estate developments in Canada which will add 2.8 million square feet to our portfolio.

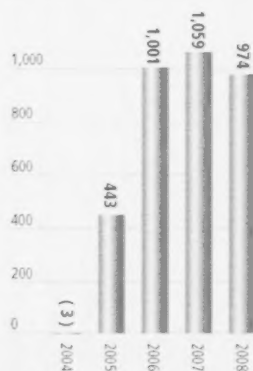
Assets under Administration

(\$ billion) for the year ended March 31



Annual Value Added by bclMC

(\$ million) Total pension portfolio returns net of fees minus benchmark returns for the year ended March 31



Assets under Administration

(\$ million) at March 31, 2008

	ASSETS \$	ASSETS %
Bonds	22,914	27.0
International Equities	12,250	14.4
Canadian Equities	12,072	14.2
Real Estate	11,839	13.9
U.S. Equities	10,473	12.3
Short Term Securities	6,817	8.0
Private Placements	4,561	5.4
Mortgages	3,414	4.0
Currency Overlay	676	0.8
TOTAL	85,016	100.0



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REAL ASSET STRENGTH We look for investment opportunities distinguished by physical and tangible assets such as land, buildings, and infrastructure. As our pension fund clients have long-term investment horizons, our investments in these assets may extend beyond twenty years.

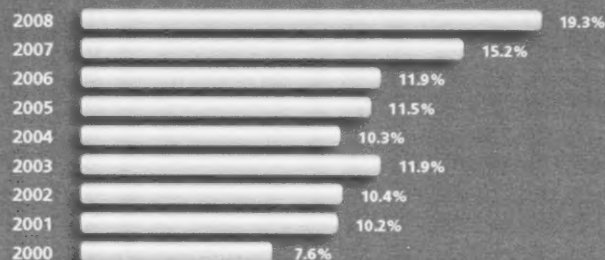
Buying businesses we believe in

Real assets are a good match for defined-benefit pension plans. They offer cash yields, capital appreciation, and inflation protection over the long term. We invest in real estate and businesses either

in regulated industries or that have limited competition from new entrants. Our interest in real assets started in 1991 with our real estate program, and in 2002, we broadened our focus to include infrastructure. With over \$16.4 billion committed to real assets, participating clients are invested in real estate and companies in the hospitality, transportation, energy generation and transmission, timberlands, and water and wastewater sectors.

When buying these assets, we either collaborate with other large investors or enter into a bcIMC-only negotiated deal. These transactions allow us to gain a meaningful interest in various businesses, providing the opportunity to develop a platform company and guide its long-term strategy. At times, we may only be a limited partner, and while we are not involved with its daily operations, we participate in the company's capital appreciation and earnings.

REAL ASSETS as Percentage of Assets Under Administration For the Year Ended March 31





The bcIMC Team

Our team of 139 talented professionals and seven board directors is key to ensuring that bcIMC delivers the returns and services our clients expect. Our people are skilled and have expertise in a range of investment-related disciplines. In return, we offer a challenging and rewarding work environment with the opportunity to participate in global investment transactions.





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As a long-term **REAL ASSET**, infrastructure has the potential to provide relatively stable performance and our risk-adjusted returns. Unlike traditional assets such as listed equity and debt, transactions are negotiated to suit clients' interests, allowing the alignment of investment cash flows with pension plan liabilities.

Building and operating a world class transit system

In 2005, bcIMC and our partners, SNC-Lavalin

and Caisse de dépôt et placement du Québec, invested in InTransitBC, the company that is building and will operate the Canada Line over a 35 year period. The Canada Line is an automated commuter transit system that will connect Vancouver, central Richmond, and the Vancouver International Airport.

Once completed, the 19-kilometre line will include 16 stations and connect with new parking structures, bus facilities, as well as existing and new commercial centres. The end-to-end journey time will be about 25 minutes. Construction began in 2005 and the Canada Line is one of British Columbia's largest construction projects.



31 million passengers

The Canada Line expects up to 100,000 riders per day in 2010 and approximately 31 million passengers per year. By 2021, this number is expected to grow to about 45 million passengers per year.



InTransitBC, founded in 2005, is a privately-owned Vancouver-based company. With a team of 15 professionals, InTransitBC supervises the construction of the Canada Line, manages the concession agreement, oversees the procurement of trains and transit-related systems, ensures that all environmental standards are met, and liaises with the community and media on issues related to the Canada Line. As one of the owners, bcIMC has appointed two directors to InTransitBC's seven-member Board.



Left to right: Elevated guideway in Richmond, Dual track guideway at Vancouver International Airport, Canada Line's Middle Arm Bridge connecting Richmond and Vancouver International Airport, North Arm Bridge connecting Vancouver and Richmond, Canada Line Train at Vancouver International Airport Station. InTransitBC Executive Management Team standing from left: Juan Marin Arzuval, Kevin Lindsay, John Leighton, Steve Crenshaw, seated from left: Alexandre Bouchon, David Sutherland



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Hospitality provides attractive opportunities for acquiring **REAL ASSETS**, brand ownership, and hotel management companies. Hospitality affords bcIMC's clients the prospect of benefiting from the attractive income generated by each hotel and the long-term capital appreciation of the physical properties.

Adding hotels and two management platforms

2007 saw bcIMC acquire the Canadian Hotel Income Properties Real Estate

Investment Trust (CHIP REIT) for \$1.2 billion including debt, as well as the Delta Hotels brand and management platform. With the CHIP REIT transaction, bcIMC purchased a portfolio of Canadian hotels operating under brands such as Radisson, Marriott, and Hilton, as well as a hotel management company, recently rebranded as SilverBirch Hotels & Resorts. This company now manages 26 bcIMC-owned hotels.

With the Delta transaction, bcIMC purchased Canada's only domestic, nationwide 4-star hotel brand – a brand renowned for its service excellence, strong sales network, and loyal business clientele. There are currently 42 Delta hotels in Canada, of which nine are owned by bcIMC. Although SilverBirch Hotels & Resorts and Delta Hotels Ltd. operate independently, together they provide bcIMC with a well-positioned hospitality platform.



35 hotels with over 8,620 guestrooms

A portfolio of mid-market to upscale, full-service and extended-stay hotels in cities across Canada, and managed by SilverBirch Hotels & Resorts and Delta Hotels Ltd.



bcIMC Hospitality Group

Established in 2007, the bcIMC Hospitality Group develops and manages the implementation of bcIMC's strategic, financial, reporting, and risk management plans in the hospitality sector. The management team, which has significant experience in the hospitality industry, oversees the operations of Delta Hotels Ltd., a brand ownership group and hotel management company, and SilverBirch Hotels & Resorts, a hotel management company.



Left to right: Delta Victoria Ocean Pointe Resort and Spa, Victoria, British Columbia; Harbour Towers Hotel and Suites, Victoria, British Columbia; bcIMC purchased the Delta Hotels brand, Canada's 4 star hotel brand in 2007; Bottom left: Lobby at Delta Victoria Ocean Pointe Resort and Spa, Victoria, British Columbia; Bottom: bcIMC Hospitality Group Executive Management Team from left to right: Robert Pratt, Kevin Gragston, Hank Stockhouse, Ed Pitonak.



Investment
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Investing in regulated companies in the water, wastewater services, energy generation and transmission sectors provides clients with exposure to **REAL ASSETS**. These companies, operating in mature regulatory environments, typically offer stable investment returns and provide opportunities for future capital investment.

Investing in regulated infrastructure companies

In 2006, bcIMC and a consortium of investors acquired Thames Water

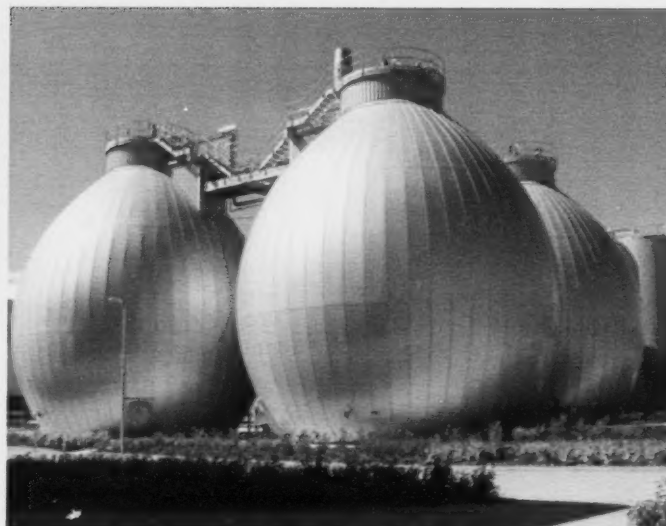
Holdings PLC, the U.K.'s largest water and wastewater services company. Thames Water collects and stores raw water, treats and supplies this as drinking water, transports and treats sewage, and disposes of sludge for about 20 per cent of the country's population.

Since the purchase, the Consortium and management have implemented a "back-to-basics" strategy focusing on improving the quality, reliability, and sustainability of Thames Water's assets and services. For the 2007-2008 period, Thames Water announced strong performance meeting all regulatory targets, reducing operating costs by over seven per cent, and reversing the decline in profits experienced under previous ownership. Almost £1 billion was invested to improve water and wastewater networks and replace aging infrastructure to adapt to a growing population.



Providing drinking water to 8 million people

Sewage services are also provided to 13 million customers in the Thames Valley and London. Thames Water has 349 sewage treatment works and 99 water treatment works.



The People behind Thames Water

With over 5,000 employees, Thames Water provides customers with round the clock water and sewage services. The company is led by an 11 member executive management team which reports to a 15 member Board of Directors. bclMC's VP, Private Placements, Lincoln Webb, was appointed to the board in December 2006.



Left to right: Thames Water supplies an average of 2.6 billion litres of drinking water each day; Morden Sewage Treatment Works, Isleworth, west London; Reading Sewage Treatment Works, one of the U.K.'s most technically advanced sewage works; Centre: Sludge powered generator at Crossness Sewage Treatment Works where sewage sludge is burned to create renewable energy; Bottom: Thames Water Executive Management Team clockwise from upper left: Richard Agland, Mike Tompest, Mark Brathwaite, Peter Antolik, Steve Slane, Joel Hanson, Kathryn Riley, David Owens, Andy Hooper, Absent: Bob Collington, Steve Walker.



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Our Chair's Message

This was a tumultuous year characterized by oil price hikes, the subprime mortgage crisis, concerns about non-bank sponsored asset-backed commercial paper, a credit crunch, rice shortages, record interest rate reductions, and worsening signs of climate change.

In times like these, corporate boards see the true colors of their management leadership – a steady hand, clear thinking, a strategic focus, and rallying the team to achieve performance goals while avoiding an over-reaction. It is gratifying for the Board to report that bcIMC's investment professionals avoided direct exposures to subprime mortgages, non-bank sponsored asset-backed commercial paper and other opaque financial instruments that saw their values decline so dramatically during the year.

Avoiding an over-reaction to short-term events while keeping an eye on the long-term horizons and opportunities is key to enhancing long-term returns. With this in mind, bcIMC produced a business plan that defines the building blocks and introduces key strategies that will allow bcIMC to embrace the challenges and opportunities presented by the global capital markets.

Our business planning process puts the spotlight on the global trends of emerging market growth, demographic change, energy demand profiles, trade developments and transportation patterns, food and agricultural supply demand metrics, and the inevitable geopolitical factors that affect financial markets. bcIMC will help our

clients to position their portfolios of investments to produce reliable absolute returns from quality holdings and the best risk reward tradeoffs. By leveraging the team's global investment experience and networks, bclMC can develop thought leadership in investment ideas to enhance future returns. The strong returns for private placement and real estate investments are evidence of, and rewards for, bclMC's similar forethought. These have bolstered client portfolios during periods when traditional asset classes (such as listed equities and fixed income) have had lacklustre returns.

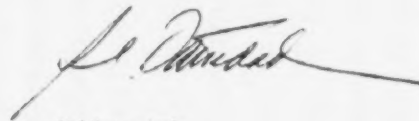
bclMC's activities are directed by a capable and highly regarded management team which is dedicated to improving the financial wellbeing of over 400,000 pensioners and pension plan members in British Columbia. The retention and continued development of bclMC's leadership, professional, and support staff are the Board's highest priority. To this end, we have made progress in establishing a compensation structure that by investment industry standards, is considered fair.

This was also a year of change for the Board. We welcomed three new directors – Ron McEachern, appointed from the Public Service Pension Plan Board of Trustees, and Anne Lippert and Joanne McLeod appointed as independent board members by the B.C. Minister of Finance. Our new directors bring a wealth of experience in human resources, financial management, and corporate responsibility. As Chair, I welcome our new directors and look forward to working with them.

Reluctantly we accepted the resignation of Bob Elton who served as a director and member of the Audit Committee for five years. Chris Trumpy, appointed as the Chair of the bclMC Board since its inception in 1999, also stepped down to serve as B.C.'s Deputy Minister of Finance. On behalf of the Board and management, our sincere thanks go to Chris who guided bclMC through its early years and developed a cohesive and productive board operation.

These Board appointments led to a change of membership in our Board Committee structure. Mayor Frank Leonard was appointed as chair of the Audit Committee, supported by Joanne McLeod and John Wilson. Joan Axford retained the position of chair of the Human Resources and Compensation Committee and welcomed Anne Lippert and Ron McEachern to the committee.

On behalf of the Board, I extend our thanks to our clients for your continued support and commitment. To our management and staff, we thank you for your loyalty and hard work and salute your professionalism and discipline.



Sid Fattedad
Chair



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Report from the CEO|CIO

bclMC operates in an evolving environment and the markets present a number of challenges in managing our clients' portfolios. Despite this turbulence, our activities produced more than \$974 million of additional value over our clients' benchmarks.

A CHALLENGING YEAR IN THE CAPITAL MARKETS

It was a volatile year, and in August 2007, the big event came from the least likely area – the short-term money markets. As the U.S. sub-prime mortgage problem came to a head, it agitated the global financial markets. Developed equity markets became volatile, there was increased demand for liquidity, lending dried up in some areas of the markets, and private equity transactions began to slow. At the same time, global inflation began to pick up in the U.S., Europe, and emerging markets.

Lax lending practices and excessive risk-taking concerned us, and we anticipated that a re-pricing of such risky assets would occur. We took defensive action to protect our clients' portfolios by reducing equity exposure, shortening fixed income durations, escalating cash positions, and increasing our holdings of quality companies and real assets. Our Fixed Income pools fortunately had no direct exposure to either the U.S. based assets or the "non-bank sponsored" asset-backed commercial paper that distressed the Canadian market. However, all capital markets and consequently our investments were affected by these events.

Despite our more defensive tactical positioning, bclMC is unable to completely insulate

clients from a general market downturn – no matter what the cause. Within this environment, the combined pension clients with a balanced portfolio had one-year annualized returns of 0.8 per cent net of all costs compared to a benchmark of -0.7 per cent.

We believe that the upheavals in the credit market represent a correction and not a major financial and economic crisis. Yet capital markets may experience continued turmoil, presenting both threats and opportunities for our ongoing investment activity. Periods such as these also provide valuable experience for our young investment professionals working under the supervision of senior portfolio managers.

THE YEAR IN REVIEW

It was a year dominated by large transactions, the introduction of new products, and changes within our organizational structure.

The acquisition of CHIP REIT, an integrated hotel management company complete with 32 hotel properties, for \$1.2 billion including debt, was an important transaction. Although led by our Real Estate department, the purchase of a hospitality platform was an initiative that crossed a number of departments. I witnessed a new dynamic of inter-departmental coordination that bodes well for future large-scale transactions.

bcIMC Annualized Pension Returns

Returns for the periods ended March 31, 2008



We further diversified our hospitality interests with the acquisition of Delta Hotels Ltd., a brand and property management company, and the purchase of three additional hotel properties.

It was an active year in our private equity and infrastructure areas with commitments in excess of \$1.7 billion. On the private equity side, we invested in 16 funds and participated in four co-investments with trusted business partners. Our commitment to a 14.1 per cent interest in the Washington State utility company, Puget Energy, Inc., was a significant deal for our infrastructure program. This transaction is awaiting regulatory approval and we expect it to close in 2008.

We added three new funds to our public equities portfolio, namely the Active Emerging Markets Equity Fund, the Canadian Small Cap Equity Fund, and the Active U.S. Small Cap Equity Fund. These products provide participating clients with diversification benefits and exposure to new investment opportunities. We also awarded ten new active equity mandates totalling \$1.8 billion to external managers.

The strength of the Canadian real estate market allowed our Mortgages team to enjoy a bumper year with new commitments of \$1.7 billion. The majority of these new construction mortgages were negotiated at historically high credit spreads and low loan to value ratios.

I am pleased with the sustained progress of our responsible investing initiatives. Our engagement activities continue to grow and we interacted with over 200 companies in our public equity portfolio this year. We are seeing the fruits of our labour as Canadian corporations have significantly improved their governance practices and are making great strides in the social and environmental areas. As we increasingly share our views on best environmental, social, and governance practices with Canadian and international regulatory authorities as well as other investors, our public policy work gains momentum. On the real estate side, we established baselines of energy and water consumption, as well as greenhouse gas emissions for our office, residential, and enclosed retail properties.

Many of our information technology systems were enhanced during the year. This included the implementation of an integrated human resources information and payroll system. Although we are in the early stages of this new management tool, it will streamline our human resource processes and provide a solid platform for meaningful management reporting. Other initiatives included the introduction of a new corporate accounting package and improvements to our corporate governance and proxy voting tracking systems.

We continued to add to our depth and experience by creating 13 additional positions in key areas such as our asset classes, Consulting and Client Services, Investment Accounting, and Information Technology. As we operate

Continuing to add depth and experience to the bcIMC team

in an evolving and competitive environment, it is crucial that our human resource strategies encourage the continued development of our staff.

Recognizing the growing importance of this function, we established a Human Resource department and promoted Carol Iverson to VP, Human Resources.

Under Carol's leadership, this department will broaden its activities to include comprehensive succession planning and the development of career paths for staff.

HAVING AN EYE ON THE FUTURE

Change is constant and while we cannot predict with certainty the extent of the change, we recognize that by 2020:

- The population growth and increasing wealth of countries in emerging markets will alter consumption patterns throughout the world;
- Global investing will become more important as emerged and emerging markets become the new engines of world growth;
- New players such as sovereign wealth funds, Asian central banks, hedge funds and private equity groups, will increase competition for assets, pushing up prices while driving down potential returns; and
- Climate change remains a long-term threat to economic growth, forcing investors assess this risk to their portfolios, as well as consider investment opportunities.

With this in mind, bclMC's longer-term strategy positions our own investment operations for the new business environment. As we enter a period of low expected investment returns, our critical challenge is meeting our clients' target returns. Traditional asset classes such as fixed income are currently not providing the necessary returns, and we will increasingly favour the acquisition of real assets through our infrastructure, private equity, and real estate programs.

Our investment activity will become more global in focus, providing additional geographical diversification to our clients' assets. We will be selective about the countries we target, paying attention to the market, political, and reputational risks associated with various regions in the world.

Strategic relationships and partnerships will become even more important in a competitive environment. We will continue to build relationships with those institutions and individuals who bring synergies to our partnerships and actively seek new investment opportunities.

These strategies require that we build a global team, expand our in-house research capability, and enhance our client servicing so that we can guide our clients through these changing markets. Looking forward, we will establish a Research and Risk Measurement department to provide a research platform that informs our new investment focus. Daryl Jones will be appointed VP, Research and Risk Measurement and Lynn Hannah will be promoted to VP, Consulting and Client Services effective April 1, 2008.

Client servicing is a core priority and bclMC will continue to work hard to ensure our clients receive a high standard of service from their relationship with us.

Looking towards the immediate future, in 2011 Canada will move to the same accounting standards used by publicly accountable enterprises in the European Union and many other countries around the world. As the International Financial Reporting Standards (IFRS) will substantially change accounting standards, we will assess the impact of IFRS on our financial reporting. During the course of the new fiscal year, we will develop a transition and implementation plan for bclMC.

ACKNOWLEDGEMENTS

In closing, I wish to express my appreciation for the support of my Board, our clients and the bclMC team. We are moving into a more complex and competitive investment environment. Our new strategy includes challenging tasks for the future and I am confident that the bclMC team will rise to the challenge in implementing our new direction.



Doug Pearce
CEO/CIO



Investment
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In Brief

We provide funds management services to public sector pension plans, the Province of British Columbia, publicly administered trust funds, public bodies, and designated institutions. bcIMC was established by the *B.C. Public Sector Pension Plans Act* of November 1999.

OUR CLIENTS

bcIMC has 48 clients with mandates that range from small money market to very large diversified portfolios.

Pension plans are our largest client group, accounting for 76.4 per cent of the assets we manage. Pension funds have long-term investment horizons and trustees are generally willing to take more market and liquidity risk to enhance long-term returns and reduce costs to plan sponsors. As each plan faces its own specific set of circumstances and risk profile, we work with pension trustees to help them make informed decisions for their investment framework.

Government and government bodies account for 22.0 per cent of assets. We manage these assets in accordance with our clients' investment horizons, with some favouring shorter term liquidity and others seeking longer-term investments. Our mandates also include sinking funds that help pay down the long-term debt obligations of clients such as the Province of British Columbia.

Our Clients

Twelve Public Sector
Pension Plans

Fourteen Publicly
Administered Trust Funds

Twenty-one
Government Bodies

Province of
British Columbia



bcIMC's offices are located at the Seafair Waterfront, Victoria, British Columbia.

We also manage the assets of publicly administered trust funds, accounting for 1.6 per cent of total assets. These clients have a range of return expectations, with some emphasizing capital protection, short-term performance, or liquidity. We customize investment policies to suit the needs and payment obligations of each fund.

OUR INVESTMENT PORTFOLIOS

We manage 63 pooled investment portfolios with investment strategies that cover all major asset classes. Our approach uses a combination

of internal and external portfolio managers with active, enhanced and indexed strategies. Pooled portfolios allow clients to share cost and investment efficiencies while providing our clients with significant flexibility. Clients only invest in the funds that suit their investment objectives, asset mix policies, and risk tolerances.

The capital markets are constantly changing and at times present new investment opportunities that align with our clients' requirements. This year, we introduced the Active Emerging Markets Equity Fund, the Canadian Small Cap Equity Fund, and the Active U.S. Small Cap

Equity Fund. These funds provide participating clients with exposure to emerging markets and companies with market capitalizations ranging from \$100 million to \$2 billion.

We also regularly assess our portfolios to ensure they continue to meet our clients' needs. In 2007, we restructured our Active EAFE Equity Fund to improve its risk/return profile and reviewed the Active European Equity Fund, which resulted in the termination of an external manager.

OUR INVESTMENT SERVICES

The mix of bclMC staff and external managers allows us to offer a comprehensive portfolio of services. Our highly skilled staff have financial and accounting credentials, as well as post-graduate degrees in economics and business. We also have a global network of specialists who provide additional expertise on the capital markets, asset classes, and investment opportunities. bclMC has 110 external managers located in financial centres such as Boston, Hong Kong, London, New York, Seoul, Singapore, Tokyo, Toronto, and, more recently, Mumbai. Our investment professionals manage about 60 per cent of the assets, with external managers contracted to manage the remainder.

A Comprehensive Portfolio of Services

INVESTMENT MANAGEMENT

- Asset mix management
- Currency hedging and overlay
- Portfolio management
- Trade execution
- Security lending
- Selection and management of external managers
- Settlement and custody of securities

INVESTMENT CONSULTING

- Asset liability studies
- Economic and market analysis
- Investment advice
- Investment policy analysis
- Legal, regulatory, and policy compliance

RISK MANAGEMENT

- Credit reviews and monitoring
- Risk analysis and measurement

CORPORATE GOVERNANCE

- Engagement
- Proxy voting

INVESTMENT MANAGEMENT ADMINISTRATION

- Cash management services
- Investment accounting and reporting
- Performance reporting
- Responsible investing reporting

INVESTMENT EDUCATION

- New trustee orientation
- Trustee conferences and events

Our Key Objectives and Achievements

Our success depends on our ability to meet the objectives of the five focus areas outlined in bclMC's Business Plan.

A glossary of terms used in this report is available on page 72

PILLAR ONE : INVESTMENT RETURNS

To meet or exceed our clients' investment return expectations, subject to their tolerance for risk, net of costs.

ACHIEVEMENTS:

- The combined pension client return was 0.8 per cent compared to the benchmark return of -0.7 per cent net of all costs. Over a 15-year period, the returns, net of all costs, were 8.8 per cent (benchmark of 8.5 per cent).
- Domestic real estate continued to produce strong returns, with a one-year return of 16.7 per cent, exceeding its benchmark by 11.3 percentage points.
- Our Specialty Mortgage Fund returned 12 per cent, compared to a benchmark of 8.4 per cent.
- Launched three new equity funds and restructured the Active EAFE Equity Fund.
- Committed over \$1.7 billion to new private equity and infrastructure holdings.
- Avoided direct exposure to non-bank sponsored asset backed commercial paper.

NOTE: The returns and benchmarks for all of our products appear on pages 22 to 23.

PILLAR TWO : RISK MANAGEMENT

To continually identify and manage enterprise-wide risks that could affect investment outcomes and impact operational efficiency, as well as our reputation.

ACHIEVEMENTS:

- Prepared a Credit Risk Policy.
- Established an Operations Review Committee to assess the operational impacts of new products and other initiatives.
- Introduced a risk measurement system to aid the analysis of quantitative risk profiles.
- Completed our third Section 5970 Report on Controls over the Investment System which confirmed our strong internal controls around financial reporting.
- Completed an external review of the Environmental, Legal, and Operational Risk Management Frameworks.
- Our permanent out-of-region recovery site became operational in 2007.
- bclMC Board successfully participated in a disaster recovery scenario.

PILLAR THREE : RESPONSIBLE INVESTING

To provide leadership in corporate governance and responsible investing.

ACHIEVEMENTS:

- Voted at 1,500 shareholder meetings and analyzed 5,900 resolutions.
- Engaged with over 200 companies on environmental, social, and governance issues.
- Signed a Declaration on Climate Change along with a group of investors participating in the UN Environment Program.
- Provided construction financing for over 1.2 million square feet of LEED® certified development in Canada.
- Surveyed our external public equity managers on their approach to responsible investing.
- By year-end, 46.9 per cent of our income-producing commercial real estate portfolio was either BOMA Go Green or Go Green Plus certified.
- Established baselines for the consumption of energy and water, as well as for greenhouse gas emissions from our office, residential and enclosed retail properties.

PILLAR FOUR : CLIENT - SERVICING

A culture of client service that enables the provision of high quality service and builds a life long partnership with clients.

ACHIEVEMENTS:

- Welcomed a new client and accepted expanded mandates from three existing clients, adding almost \$300 million of new funds under management.
- Completed asset-liability studies for three pension clients and recommended asset mix changes.
- Finalized the rewrite of the Pooled Investment Portfolio Product Descriptions.
- Organized and moderated two B.C. Public Sector Pension Conferences.
- Facilitated two trustee orientation sessions for new pension trustees.
- Implemented a pilot Client Relationship Management system.

PILLAR FIVE : BUILDING bclMC

A results-oriented, innovative, and knowledgeable team, with efficient systems and technology, operating at a reasonable cost, and with sound governance.

ACHIEVEMENTS:

- Enhanced our systems to allow for the implementation of 24/7 trading for our international portfolios.
- Introduced new IT systems to support corporate services, namely a corporate accounting system, an integrated human resources information and payroll system, and a system to track our records.
- Established a Sustainability Committee to identify initiatives to reduce our corporate environmental footprint.
- Our operating costs are 19.8 cents per \$100 of assets under administration and Cost Effectiveness Management Inc. confirmed that bclMC is a low cost service provider relative to other investment managers.
- bclMC Board updated the mandates of the Audit Committee and the Human Resources and Compensation Committee.
- We added 13 new positions to the bclMC team.

Capital Market Overview

Capital markets hit a major speed bump in 2007-2008.

Risk-taking and financial leverage hit their limits, and credit markets seized up as financial institutions realized losses on U.S. sub-prime mortgage securities. Anticipating that a market correction was likely at some point, we began to position our clients' portfolios more defensively in mid 2006.

The cause of the financial market upheaval around the middle of 2007 was investors' realization that the U.S. sub-prime mortgages they had purchased were falling in value as U.S. house prices began dropping. These mortgages were originated in large numbers as banks and other lenders targeted lower-income, higher-risk borrowers at the tail end of the U.S. housing boom in 2005 and 2006. They were distributed widely in various packages of derivative securities to investors in North America, Europe, and even some emerging markets. While this spread the risk from lenders to a more diverse group of investors, the complexity and lack of transparency in pricing caused market participants to shun these securities as U.S. house values began to drop. This contagion effect spurred a flight to quality away from perceived risky investments and institutions.

Our investment pools had no direct exposure to the derivative products at the centre of the upheaval, but were still affected by the broad impact that rippled through financial markets.

From the onset of the credit upheaval, the U.S. Federal Reserve intervened aggressively, cutting interest rates and taking other unprecedented actions to offset its economic impact. The Bank of Canada also cut interest rates. As a result, North American interest rates fell in the second half of 2007 and early in 2008. The availability of credit to higher-risk borrowers fell and the interest rates they had to pay rose sharply.

Despite the financial market upheaval and prospects for slower global economic growth, most commodity prices rose in 2007 and the first quarter of 2008. Oil soared from U.S. \$66/barrel at the end of March 2007 to U.S. \$102 by year end.

The Canadian dollar made a major move against its U.S. counterpart, rising from 86.6¢ U.S. to 97.4¢ U.S. during 2007-2008. The dollar fell against the euro and the yen.

Corporate profit growth slowed and, despite strong commodity prices, the Canadian equity market returned a modest 3.2 per cent down from double-digits the previous year. This was largely because financial stocks, which have a heavy weighting in the Canadian market, performed poorly due to the credit upheaval.

Global equity markets largely shrugged off the credit market problems until early in 2008, when markets experienced large declines in January and March. In Canadian dollar terms, the U.S. market lost 15.7 per cent during 2007-2008. The 12.2 per cent depreciation of the U.S. dollar against its Canadian counterpart was a major factor in this poor performance. European equity returns were -10.9 per cent, while Japanese equity returns were -24.1 per cent. Emerging markets returned 8.0 per cent, as the Chinese and Indian markets pulled back after large gains earlier in the year.

Returns in alternative asset classes such as real estate, private equity, and hedge funds have been strong for several years. To a significant extent, this reflected the availability of cheap credit which promoted financial leverage (borrowing) and helped push up asset prices.

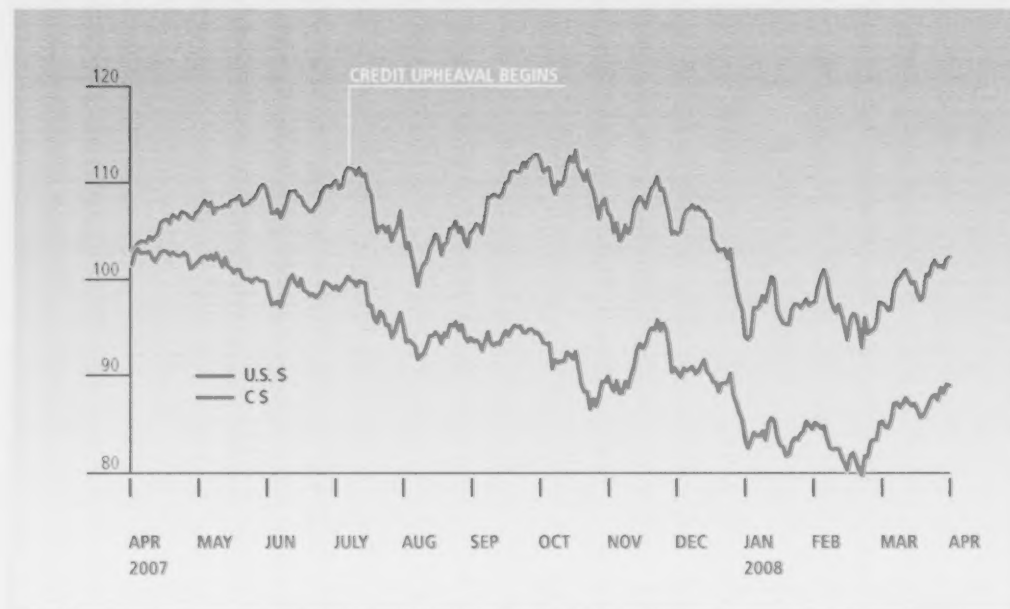
Real estate returns remained high in Canada and the U.S. for the fifth consecutive year.

Private equity activity slowed as deals made in the first half of 2007 ran into financing roadblocks; increased risk aversion and higher

World Stock Prices

MSCI World Index, January 2, 2007 = 100

Source: MSCI/Barra Bloomberg



credit costs made leverage more expensive and reduced the attractiveness of new deals. However, infrastructure deals and projects

continued to attract financing. With the end of cheap credit, the era of high returns in alternative assets appears to be over for this cycle.

Pooled Fund Annualized Returns (\$) and Benchmarks (%) – Fixed Income

Periods Ended March 31, 2008 Note: Benchmarks are presented in light blue. Actual pooled fund returns, net of costs, are in black.

		15 YEARS	10 YEARS	5 YEARS	3 YEARS	1 YEAR
SHORT TERM	Short Term Fund 1	4.2	3.8	3.3	3.8	4.3
	DEX 30 Day Treasury Bill	4.0	3.7	3.2	3.7	4.1
	Short Term Fund 2	4.5	4.0	3.5	4.0	4.9
	DEX 91 Day Treasury Bill	4.3	3.9	3.4	3.9	4.6
	Short Term U.S. Fund 3	2.9	0.5	(3.9)	(0.9)	(6.6)
	Citigroup 30 Day Treasury Bill	2.4	0.1	(4.2)	(1.4)	(7.4)
	Short Term Bond Fund		5.5	4.9	4.5	6.9
	DEX Short Term Government Bond	6.3	5.4	4.8	4.5	7.1
MORTGAGES	Fixed Term Mortgage Fund		7.0	6.3	5.6	4.9
	DEX Short Term Bond + 1%		6.5	5.9	5.4	7.5
	Construction Mortgage Fund		6.9	6.6	7.1	7.3
	DEX One Year T-Bill + 1%		5.4	4.8	5.2	6.8
	Specialty Mortgage Fund			8.8	8.3	12.0
	DEX 1 Year T-Bill + 2.5%		6.9	6.4	6.7	8.4
BONDS	Indexed Government Bond Fund		6.4	6.5	5.8	6.8
	DEX Universe Government Bond	7.7	6.3	6.5	5.7	7.0
	Long Term Bond Fund			8.9	7.4	6.1
	DEX Long Term Government Bond	9.6	7.4	8.7	7.3	6.1
	Universe Bond Fund					5.9
	DEX Universe Bond	7.7	6.3	6.4	5.4	5.8
SINKING FUNDS ¹	Hydro Sinking Fund	7.3	6.3	6.2	5.0	3.8
	BC Direct Debt Sinking Fund		6.3	6.5	5.4	5.4

¹bcIMC began liquidating the Pooled Sinking Funds in November 2007

Pooled Fund Annualized Returns – Equities and Real Estate

Periods Ended March 31, 2008 Note: Benchmarks are presented in light blue. Actual pooled fund returns, net of costs, are in black.

Due to their illiquid nature, the annualized performance of bclMC's private placement, international real estate, and strategic investment and infrastructure pooled funds is excluded from this table as year-by-year performance returns can be misleading. To be assessed correctly, performance of these assets must be measured over the life of their respective fund.

		15 YEARS	10 YEARS	5 YEARS	3 YEARS	1 YEAR
CANADIAN STOCKS	Indexed Canadian Equity Fund	11.6	8.4	19.1	15.0	3.6
	S&P/TSX Equity Index	11.4	8.0	18.9	14.9	3.2
	Enhanced Canadian Equity Fund			19.3	14.7	3.7
	S&P/TSX Capped Equity			18.9	14.9	3.2
	Active Canadian Equity Fund	12.0	9.1	17.3	11.3	(0.5)
	S&P/TSX Capped Equity	11.8	8.5	18.9	14.9	3.2
	Strategic Infrastructure Canadian Equity Fund				17.0	1.2
	8% Nominal Benchmark	8.0	8.0	8.0	8.0	8.0
U.S. STOCKS	S&P 500 Equity Fund		0.3	3.7	0.3	(15.4)
	S&P 500	8.0	0.2	3.6	0.3	(15.4)
	U.S. Value Index Fund			7.3	1.2	(18.2)
	S&P 500/Citigroup Value	8.4	1.2	6.1	1.3	(18.3)
	U.S. Social Index Fund					(16.1)
	Domini 400 Total Return	7.9	(0.1)	2.4	(0.8)	(16.1)
	Enhanced Indexed U.S. Equity Fund			3.8	0.3	(15.6)
	Russell 1000/S&P 500	8.0	0.4	3.9	0.3	(15.4)
	Active U.S. Equity Fund		0.8	4.3	0.5	(15.6)
	Russell 1000	8.1	0.5	4.1	0.6	(15.7)
	Russell 2000	7.6	1.6	7.0	(0.5)	(22.4)
INTERNATIONAL STOCKS	Indexed European Fund				9.0	(10.6)
	Active European Fund				9.4	(12.9)
	Combined European		2.8	14.1	9.1	(11.8)
	MSCI Europe Net	10.0	3.2	14.4	8.7	(10.9)
	Indexed EAFE Fund				7.6	(13.2)
	Active EAFE Fund				6.4	(13.7)
	Combined EAFE		3.2	12.4	6.9	(13.7)
	MSCI EAFE Net	6.6	2.8	13.0	7.3	(13.5)
	Asian Fund		5.2	13.5	8.0	(10.3)
	MSCI All Country Asia Pacific Net	2.4	2.9	11.5	6.8	(12.7)
REAL ESTATE	Realpool	11.4	12.4	16.2	20.5	16.7
	CPI + 4%	5.9	6.2	5.8	6.0	5.4

	CANADA	CAD	0.9512	0.8883
	EURO	EUR	0.6644	0.6100
	JAPAN	JPY	109.00	102.00
	NEW ZEALAND	NZD	1.1646	1.0675

Our Currency Overlay Fund provides clients with exposure to G10 currencies.

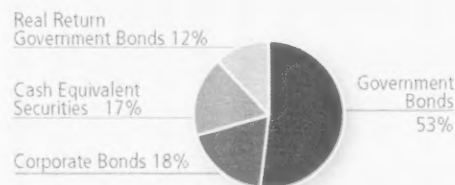
Fixed Income and Foreign Currency

Providing clients with liquidity and predictable cash flows.

We manage pools of Canadian government (federal, provincial, and municipal) bonds, higher quality corporate securities, and bonds backed by multilateral agencies such as the World Bank. Clients with inflation-sensitive liabilities also hold real-return bonds issued by the Government of Canada and provincial governments. Our portfolio includes over \$5 billion in short term securities and \$5.8 billion of investment grade corporate bonds.

We also manage currency hedging and currency overlay programs. By hedging currencies, we reduce our exposure to the currencies that we believe will depreciate over time. In doing so, we attempt to minimize losses arising from these exposures.

Portfolio of Fixed Income Assets
as at March 31, 2008



OUR APPROACH

Our Fixed Income portfolio managers use a combination of three strategies to add value. Yield curve positioning (strategy 1) allows the portfolio manager to position for movements in the yield curve as interest rates change over time. With duration timing opportunities (strategy 2), the portfolio manager anticipates changes in interest rates over time and adjusts the duration of the portfolio to be either longer or shorter than the duration of the portfolio's benchmark. Through security selection (strategy 3), the portfolio manager adds value by favouring securities that are expected to outperform and avoiding securities that are expected to underperform against the benchmark.

The externally managed Currency Overlay Fund uses quantitative and qualitative strategies to generate returns from the global foreign exchange market.

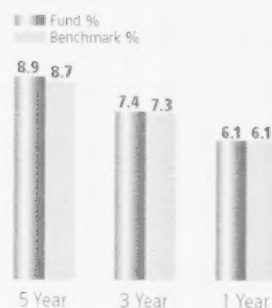
PORTFOLIO ANALYSIS

With the difficulties experienced in the markets, one year returns for our fixed income funds were moderate. Returns ranged from 5.9 per cent on our Universe Bond Fund to 6.8 per cent on our Indexed Government Bond Fund.

The Universe Bond Fund, a fund that invests in federal, provincial, municipal, and investment grade corporate bonds, slightly exceeded its benchmark of 5.8 per cent. While the fund's performance was hurt by the weak credit market and by being overweight in financial issuers, it benefitted from having limited exposure to provincial and agency bonds. Our portfolio managers also positioned the portfolio in anticipation of changes in the shape of the yield curve, allowing the fund to benefit when the Bank of Canada reduced interest rates in early 2008. Our Long Term Bond Fund met its one year

Long Term Bond Fund Performance

Annualized Returns for the
Periods Ended March 31, 2008



benchmark with a 6.1 per cent annualized return. The volatility in long-term interest rates over the year provided little opportunity to create risk-adjusted added value. The fund exceeded its benchmark by 0.2 percentage points over a five-year period.

Returns for our short-term products were modest. Our Short Term One Fund and Short Term Two Fund moderately outperformed their benchmarks. While the widening of credit spreads hurt the Short Term Two Fund, it benefited from a long duration position when the Treasury Bill market rallied significantly in the face of the credit crisis.

It was also a difficult year for currencies and our Currency Overlay Fund underperformed against its benchmark. We are concerned about the fund's disappointing performance, and in 2008 we will review the mandates of our external managers.

HIGHLIGHTS

While it was a difficult year, we were fortunate to avoid some of the financial turmoil within the Canadian market. Through prudent investing and careful due diligence, our portfolios had no direct exposure to non-bank asset backed commercial paper.

During the year, the Canadian dollar strengthened by over 12 per cent against the U.S. dollar and we continued to maintain the U.S. dollar hedge, reducing the hedge ratio once the two currencies were at parity. This hedging activity allowed us to guard the value of U.S. assets held in Canadian dollars and protected our clients against further currency losses. We also took the view that the United Kingdom's economy would weaken causing the British pound to depreciate and we initiated hedges to protect the value of our clients' assets. Over the course of the year, the British pound weakened by 11.2 per cent.

We added Maple Bonds as eligible investments to our Long Term, Short Term, and Universe Bond funds. This gives our clients the added benefit of exposure to global government and investment grade corporate issuers without currency risk.

We also added a Credit Analyst position to the department. The analyst assesses the credit worthiness of new issues and monitors the portfolios for potential credit downgrades or defaults by issuers.

Mortgages

Producing stable and predictable cash flows with better returns than government bonds, but with greater risk and reduced liquidity.

Clients may participate in three mortgage investment funds, the Construction Mortgage Fund, Fixed Term Mortgage Fund, and Specialty (Mezzanine) Mortgage Fund. These funds are diversified by loan type, geography and property type, giving our clients the choice of products by liquidity, duration, and risk/return expectations. All mortgage investments are located in regions with strong economic growth, and diverse economies.

Our Fixed Term Mortgage Fund has grown rapidly to over \$2.2 billion, a 25 per cent increase in this fiscal year. This growth is a result of reduced lender competition and strong Canadian real estate fundamentals. Since launching our Construction Mortgage Fund in 1995, we have financed \$4.1 billion of commercial and multi-residential developments throughout Canada, including \$1.7 billion in British Columbia.

OUR APPROACH

Our Mortgage team actively manages and services our portfolios. We reduce mortgage investment risk through detailed underwriting, credit and financial analysis of all borrowers, guarantors and major tenants to ensure cash flows are reliable. This scrutiny includes the review of arm's length appraisals, leases, legal documents, environmental, and engineering reports. During the year, we introduced a "stress test analysis" which provides detailed scenario analysis on each property's cash flow over its loan term.

Mortgage Holdings by Fund Type
as at March 31, 2008



Our Mortgage Servicing team tracks and monitors mortgage cash flows, disbursements, and key data. The screening and transaction management processes protect the quality and performance of our portfolio that contained over 240 loans at year-end.

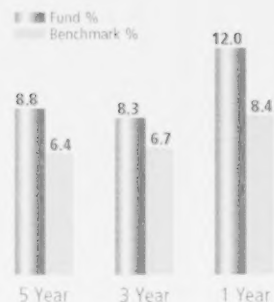
PORTFOLIO ANALYSIS

The correction in the U.S. sub-prime mortgage market caused risk to be re-priced and contributed to volatile markets. Consequently credit spreads widened dramatically as investors favoured risk-free bonds. The Canadian real estate market was fundamentally strong, and our portfolios did not experience any new mortgage arrears during the course of the year. Despite this turmoil, our mortgage portfolios delivered strong returns and capital stability to clients participating in these funds.

Both the Construction Mortgage Fund and Specialty Mortgage Funds' one-year returns exceeded their respective benchmarks with annualized returns of 7.3 per cent (benchmark return 6.8 per cent) and 12.0 per cent (benchmark return 8.4 per cent) respectively.

Specialty Mortgage Fund Performance

Annualized Returns for the Periods Ended March 31, 2008



Our strong performance was mainly due to strong risk-adjusted returns and a lack of mortgage defaults.

Despite no new arrears or foreclosures, returns for our Fixed Term Mortgage Fund were disappointing. Widening credit spreads punished the Fixed Term Mortgage Fund's mark-to-market valuation, negatively affecting its annual performance of 4.9 per cent while favouring the Fund's benchmark composite of government and high grade bonds, yielding 7.5 per cent. On a five-year basis, the fund has

an annualized return of 6.3 per cent compared to a benchmark return of 5.9 per cent.

HIGHLIGHTS

We committed a record 1.7 billion to new commercial mortgages, up from \$1.1 billion in the previous year. Reduced lender competition and an increased availability of attractive mortgage investment opportunities contributed to increased deal flows. This environment allowed us to negotiate lower risk mortgage investments at higher credit spreads. With the strong demand for office space in Canada and with rental rates increasing significantly in many Canadian markets, 22.6 per cent of our new mortgages were committed to office construction projects.

We provided construction financing for over 1.2 million square feet of development that satisfies LEED certification standards. This included the Vento building, Alberta (the first LEED Platinum certified multi-residential building in North America).

Over the past fiscal year, our in-house mortgage servicing department became fully operational. Its introduction required the enhancement of

our mortgage information systems, as well as the transfer and consolidation of records from the previous external mortgage servicer. Internal mortgage servicing enhances mortgage client service, increases deal flow, and reduces our operating costs.



We provided Discovery Parks Trust with fixed term mortgage financing for the construction of the Technology Enterprise Facility 3, Canada's first Silver LEED certified building, at the University of British Columbia.

Public Equities

Offering higher long-term returns than fixed income and cash, but with higher risk and short-term price fluctuations.

We have 19 pooled portfolios diversified by geographic markets and investment styles. Our staff manage nine of these pools. Twenty-five external managers under contract to bcIMC manage eight pools, and two pools are jointly managed.

OUR APPROACH

We use a combination of management strategies to meet our clients' investment objectives. Index funds provide exposure to a portfolio of securities that closely match a benchmark index, while enhanced index funds combine the alpha generating strategies of active management with the risk controls of indexing to generate a moderate level of return and risk. Externally managed active pools combine multiple managers with different investment styles.

PORTFOLIO ANALYSIS

While the boom in energy and commodities prices helped the Canadian market gain 3.2 per cent, the collapse of the U.S. housing market and the credit crisis overwhelmed results in other markets. The U.S. equity market lost 15.4 per cent in Canadian dollar terms as banks and mortgage brokers reported write-offs and heavy losses. Fears of an economic slowdown in the U.S. caused the Japanese and European markets to fall 24.1 and 10.9 per cent (in Canadian dollar terms) respectively. Nervous investors also reassessed their exposure in emerging

Regional Allocation of Public Equities

as at March 31, 2008



bcIMC staff manage nine pooled public equity portfolios on behalf of our clients.

markets, causing the markets to decline at the end of the fiscal year.

Within this environment, equity returns were decidedly mixed. The Enhanced Canadian Equity Fund and Indexed Canadian Equity Fund exceeded their benchmarks with annualized returns of 3.7 per cent and 3.6 per cent respectively. Given the volatility of the global equity markets, the performance of the Enhanced Canadian Equity Fund was notable. The Active Canadian Equity Fund underperformed, largely due to an underweighting of energy and materials stocks.

The returns for our U.S. portfolio were lacklustre,

even though our funds generally met their benchmarks. Quantitatively managed funds, such as our Enhanced Indexed U.S. Equity Fund, tend to underperform in volatile markets. Both the U.S. Value Index Fund and Active U.S. Equity Fund marginally outperformed their benchmarks by 0.1 percentage points each.

On the international front, returns were mixed. Our Active Asian Fund benefited from favouring the Asia-Pacific ex-Japan markets and outperformed its benchmark by 2.4 percentage points. Although the Active EAFE Fund slightly underperformed, a defensive investment style

reduced the impact of the market volatility and protected clients against further losses. Our Indexed European Fund and Indexed EAFE Fund performed as expected, slightly outperforming their benchmarks.

HIGHLIGHTS

This year saw the launch of three new funds, the restructuring of a fund, and a review of two products.

In response to client requests for greater flexibility and access to new investment opportunities, we launched the Active U.S. Small Cap Equity

Fund, the Active Emerging Markets Equity Fund, and the Active Canadian Small Cap Equity Fund. As these are externally managed funds, we awarded seven new mandates; four to existing managers, and three to new firms.

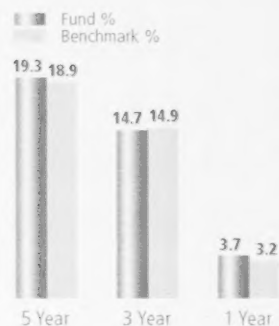
The restructuring of the Active EAFE Fund was a significant undertaking. This involved terminating an existing mandate with an external manager for poor performance and awarding three new mandates, as well as rebalancing the funds. We also separated the Enhanced Indexed EAFE Fund from the Pool, providing clients with EAFE funds with different management strategies. Funds are restructured when we believe that the long-term benefits outweigh the short-term costs.

Following the review of the Active European Equity Fund, we terminated a mandate with an external manager for poor performance. We added an internally managed portfolio to the Active U.S. Equity Fund that seeks to capture long-term trends in the markets using a rules-based approach to building portfolios.

We recruited for two additional positions in the department; the Manager, External Managers, responsible for selecting external managers and monitoring their performance, and an Assistant Portfolio Manager.

Enhanced Canadian Equity Fund Performance

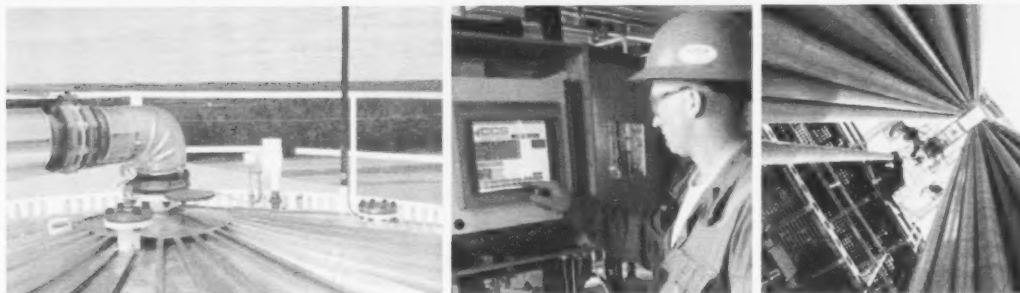
Annualized Returns for the Periods Ended March 31, 2008



Active Asian Fund Performance

Annualized Returns for the Periods Ended March 31, 2008





In 2007 bclMC participated in an equity consortium to acquire CCS Income Trust (now CCS Corporation), a leader in the provision of integrated and environmentally-responsible services to oil and gas companies in North America.

Private Placements

Enhancing long-term returns by investing in a diversified private market portfolio of domestic and international companies and **REAL ASSETS**.

In 1996, bclMC began building a diversified private equity program consisting of pooled funds created for each calendar year. By investing consistently in successive pools, clients obtain diversification by vintage year, management styles, industry sector, and geographic coverage, as well as exposure to companies in various development stages.

Since the start of the program, we have committed \$7.1 billion to 160 private equity investments.

Regional Distribution of Private Placements

as at March 31, 2008



OUR APPROACH

bclMC invests in privately negotiated transactions involving private and public companies by investing in externally managed private equity funds, participating in co-investments with our external managers, and investing directly into companies. Although we typically contribute equity capital, our investments may also include debt and hybrid securities.

Through our network, we leverage global expertise in the selection and evaluation of private investments. At year-end we maintained relationships with 72 external managers and held 147 investments.

As these are illiquid investments held for periods over ten years, we conduct extensive investment due diligence. We assess externally-managed funds according to their investment strategy, investment team composition, and investment track record relative to their peers and our return benchmarks. With co-investments and direct investments, we evaluate the market, industry, company specific risks, and projected returns. We may also contract third party advisors to assist with environmental, legal, and other company specific assessments.

Following our investment, the progress of each externally managed fund or direct investment

is monitored to ensure that our clients' financial and governance requirements are met. For fund investments, we frequently seek appointments to a fund's Advisory Committee, allowing for enhanced oversight of the externally managed portfolio and providing input on the management of the fund as a whole. With our direct investments, where applicable, we exercise the right to appoint directors to the boards of these companies and work with management to promote good governance and guide the strategic direction of the firm.

PORTFOLIO ANALYSIS

Our program performed strongly in 2007 despite turbulent market conditions and a significant depreciation of the U.S. dollar – the currency in which many of our investments are held. On an industry level, the first two quarters of the year were extremely active for private equity markets, characterized by robust fund raising and record transaction volume and value levels. However, credit conditions reduced market activity in late 2007. We anticipate that the willingness of lenders to finance large private equity transactions will remain subdued in 2008, influencing the size and debt financing terms for private acquisitions.

Going forward, we will continue to build a diversified private equity portfolio by investing in assets with different investment strategies, market segments, and geographic locations.

HIGHLIGHTS

We committed almost \$1.4 billion to 16 funds and four co-investments, which included:

- A co-investment with Industri Kapital, a European external manager, in Schenck Process GmbH, a German-based manufacturer of industrial equipment with worldwide sales;
- The acquisition of CCS Income Trust alongside CAI Partners and Goldman Sachs. Headquartered in Calgary, this company provides integrated and environmentally responsible services to oil and gas companies in Canada and the U.S.; and

- Commitments to new top performing managers, including Green Equity Investors, Hellman & Friedman, and Oaktree Principal Opportunities.

We also distributed over \$620 million to participating clients. Notable realizations included:

- Along with lead investor Tricor Pacific, we refinanced the debt of Tharco Holdings Inc., a manufacturer and distributor of corrugated boxes and engineered foam. This allowed us to return a substantial portion of our initial equity investment to clients;
- The distribution of sale proceeds from funds managed by Advent International, after the sale of its interest in Parques Reunidos, S.A., Europe's third largest leisure park operator and the lead operator in Spain. At the time of its sale, revenues and earnings had doubled since it was acquired in 2003; and
- The sale by our partner, Affinity Asia, of its interest in HiMart Co. Ltd., South Korea's largest consumer electronics retailer. Affinity Asia was able to grow HiMart into South Korea's largest consumer electronics retailer, with a network of 249 stores.

Most Significant Direct Investments

COMPANY	INDUSTRY SECTOR	REGION	YEAR ACQUIRED
CCS Corporation	Energy Services	Canada	2007
Energy Future Holdings Corp.	Electric Utility	U.S.	2007
Ziggo (previously Dutch Cable)	Cable Utility	Europe	2007
Schenck Process GmbH	Manufacturing	Europe	2007
Tharco Holdings Inc.	Packaging	U.S.	2005

Real Estate

An attractive **REAL ASSET** that generates reliable cash flows in the short-term with expected capital appreciation in the long-term.

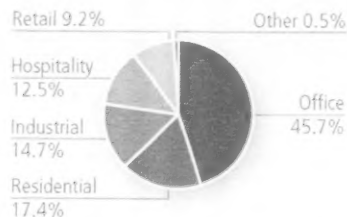
bcIMC manages over \$14 billion of real estate. In Canada we own over 38 million square feet of rentable office, industrial and retail space, 35 hotels, 139 multi-residential buildings, and have interests in four real estate management companies. Our international real estate exposure is achieved through participation in 13 regional and global real estate funds, three direct investments, three joint ventures, three real estate management companies, and a real estate advisory firm.

OUR APPROACH

We aim to maintain a diversified portfolio of well-located, high-grade Canadian real estate properties that produce stable income returns and long-term capital appreciation. Investment properties are diversified by type, location, size, and risk. Our approach includes purchasing existing buildings, improving older buildings, and developing new properties. We are currently managing 15 active developments throughout Canada which, when completed, will add 2.8 million square feet of industrial, office, retail, and residential use to our domestic portfolio. Assets are sold when their value has been optimized and capital can be better deployed elsewhere.

Our international program, managed with the assistance of five key external managers, aims to provide clients with higher returns while offering the benefits of geographic diversification. Through a combination of externally managed private funds and direct investments, our clients have exposure to real estate in Asia, the U.S., Brazil, the U.K., continental Europe and Mexico. Investments are usually structured as limited partnerships or private companies. Strategic relationships with skilled managers are also developed during the investment process. We pursue new

Domestic Real Estate Assets by
Property Type as at March 31, 2008



Livingston Place, Calgary, a 835,000 square foot, twin tower Class A office development was completed in 2007.

investment opportunities that enhance our global investment platform. This year, we concluded three additional fund investments, invested in a real estate management company, and purchased an additional interest in a real estate advisory firm.

PORTFOLIO ANALYSIS

Domestic real estate had another strong year with a 16.7 per cent return (of which 11.2 per cent was from capital appreciation) due to increasing rental rates, decreasing vacancy and strong consumer demand. Double-digit returns were experienced in every property type.

Realpool Fund Performance

Annualized Returns for the Periods Ended March 31, 2008



Significant Real Estate by Type

PROPERTY TYPE	PROPERTY	LOCATION	YEAR ACQUIRED
Office	Commerce Court	Toronto	2000
Residential	Metropolitan Towers	Vancouver	2003
Industrial	SUN-X Portfolio	Winnipeg	2007
Hospitality	Delta Bow Valley	Calgary	2008
Retail	Marche Central	Montreal	2005

Our office portfolio was the strongest performing property type with a 21.0 per cent return followed by residential with an 18.6 per cent return. Strong economic conditions led to declining vacancy rates and an increase in rental rates for premium office buildings in downtown areas. Since 2006, rents of premium office space in Vancouver increased by 17.6 per cent compared to the national average of 11.8 per cent. Similarly, high occupancy levels and increasing rental rates contributed to the returns for our residential portfolio.

After several years of buoyant global real estate markets, credit market turbulence has reduced investment demand in certain regions. However, there are countries that continue to experience considerable growth with the prospect of rising real estate values. Despite these conditions, our international program continues to meet or

exceed target returns. As at year end, our international portfolio of fund investments was valued at almost \$1.1 billion.

HIGHLIGHTS

- Closed eight domestic acquisitions totalling approximately \$1.7 billion;
- Added a hospitality component with the acquisition of CHIP REIT, Delta Hotels Ltd. and three additional hotels. We appointed a Senior Portfolio Manager, Hospitality, Housing and Real Estate Enterprises to lead our hospitality, multi-family and management company investments;
- Completed five major development projects of rentable office, retail, and industrial space in British Columbia, Alberta, and Ontario;
- Realized \$208 million through the sale of six properties located throughout Canada;
- Successfully issued \$450 million of unsecured notes, with AA rating from DBRS;
- A number of domestic properties received awards for property management, excellence in resource conservation, emergency preparedness, and achievement of environmental and community goals; and
- Implemented a currency hedge for real estate investments with exposure to the U.S. dollar.



bcIMC has a limited partnership investment in Island Timberlands, a private timberland company located on Vancouver Island.

Strategic Investments and Infrastructure

This program provides clients with exposure to assets traditionally associated with the core infrastructure of modern economies. Preferred investments include regulated and contracted assets such as pipelines, electricity transmission lines, airports, roads, and bridges, as well as companies with tangible assets such as oil reserves and timberland.

Participating clients have exposure to real assets through bcIMC's investments in 25 companies and 12 externally managed funds.

Investing in **REAL ASSETS** that have the potential to generate value-added returns and strong cash flows over the longer term.

Strategic Investments and Infrastructure Fund by Asset Class as at March 31, 2008



OUR APPROACH

The program seeks global opportunities and invests in private and publicly traded companies. Transactions may cross traditional asset class boundaries; a single investment may include a fixed income, public or private equity, and real estate component.

We invest in stable, cash yielding regulated assets that have the potential to produce attractive returns at a relatively low level of risk. Preference is given to companies and assets that operate in markets with limited competition.

We also invest in companies that we regard as strategic long-term investment positions or will emerge to provide infrastructure type returns. Individual investments, particularly those within the private markets, often require holding periods of a minimum of 15 to 20 years. This time horizon allows for investments to mature and also matches well with our clients' long-term focus.

PORTFOLIO ANALYSIS

The program has grown substantially since its inception in 2004. To date, bcIMC has committed \$2.9 billion, of which \$292 million was committed during the last year.

The private market component of the program has a global investment mandate. Holdings include traditional infrastructure investments in electricity transmission, water and wastewater, and utilities, as well as strategic investments in energy and power related assets.

The public equity component of the program consists primarily of investments in Canadian companies engaged in the management of real estate and infrastructure assets, transportation, and production of energy and materials. Other commodity-related investments, such as timberland, are held through the real estate component of the program.

The acquisition and financing of infrastructure assets and companies slowed in late 2007, reflecting tighter credit markets and the difficulties in securing large financing packages with favourable terms. Yet, we believe that the outlook for infrastructure investments remains attractive and that quality companies and assets will continue to attract strong investor demand and maintain access to debt financing. In the long term, we expect economic growth and broadening global trade to increase investment demand for new infrastructure and the maintenance of existing assets.

HIGHLIGHTS

We committed to invest alongside Macquarie Bank Ltd., its affiliates, and other institutional investors in Puget Energy Inc., the parent company of Puget Sound Energy. As a regulated utility, Puget Sound Energy provides electric service to over one million customers and natural gas to 735,000 customers in the Puget Sound region of western Washington. In addition to

improving its existing infrastructure, the company is committed to developing energy efficient programs and exploring new sources of renewable power. The transaction is expected to close in the next fiscal year.

We continued to support existing managers with solid performance by committing U.S. \$100 million each to Arclight Energy Partners Fund IV and AIG Highstar Capital Fund III.

Arclight Energy will construct a diversified portfolio of investments across the energy value chain, including production, transportation, generation, transmission, and distribution. AIG Highstar has a global investment mandate to target infrastructure assets in the sectors of energy, transportation, waste management, and water.

As the program matures, we are beginning to see strong distributions from our investments. The program received \$302 million in distributions this year, including proceeds from the realization of our interest in Northern Star Generation LLC., a privately held power generation company. During our holding period, enhancements to the management team and optimization of the firm's long-term power purchase contracts created significant value in the company.

Regional Distribution of Strategic Investments and Infrastructure Fund as at March 31, 2008



Most Significant Holdings

COMPANY	INDUSTRY SECTOR	REGION	YEAR ACQUIRED
Transelec Chile	Electricity Transmission	Emerging Markets	2006
Thames Water	Water Utility	Europe	2006
Island Timberlands	Timberlands	Canada	2005
Suncor Energy	Energy	Canada	2005
InterGen	Power	Asia, Europe, Emerging Markets	2005



Andrea and Vicky from our Risk Measurement group analyzing the risk profile of a bclMC pooled fund.

Risk Management

Identifying and managing risk is as important as generating returns, underpinning all aspects of our investment activities and operations.

OUR RISK MANAGEMENT ENVIRONMENT

Risk management is a comprehensive process that requires communication, judgement, and knowledge of business practices, capital markets, investment products, legislation, and other guiding principles. Our Board manages bclMC's strategic risk, monitors situations that may affect our reputation, and ensures that the enterprise-wide risk management framework is functioning effectively. The CEO/CIO, supported by risk management leads, reviews policy frameworks and oversees the corporate-wide implementation of risk management measures. Our framework ensures that we identify, assess, manage, and monitor strategic, reputation, investment-related, legal, and operational risks.

Senior management plays an active role in risk management. Each department maintains operational risk registers, based on a self-assessment of risks, that are regularly discussed with the CEO/CIO and the risk management lead. On a quarterly basis, the Board reviews the status of bclMC's risks.

The Board and management believe in upholding an ethical environment. Adherence to the Code of Conduct is required at all times, and each year the Board reviews a compliance report.

Corporate policies that outline accountabilities and authorities are posted to the staff intranet. To protect against inadvertent insider trading violations, confidentiality walls around asset classes engaged in direct investments are established. Staff are expected to embrace our core values of respect, integrity, honesty, and trust and be professional at all times.

Our Internal Auditor systematically reviews our risk framework and control activities. Where necessary, the Internal Auditor identifies areas for improvement, and interacts with the risk management leads. The Internal Auditor reports functionally to the Audit Committee and administratively to the CEO/CIO.

CONTINUING DEVELOPMENT OF bclMC'S RISK FRAMEWORK

Our risk management framework is not static; we regularly review our framework and seek ways to enhance our risk management processes.

Market risk is inherent in investment management; we research and develop policies for measuring

and responding to market risk and assess asset mix combinations and investment strategies. Measurement is equally important, and in 2007 we introduced a formal risk measurement system. Our Risk Measurement group prepares quantitative risk profiles of our investments and collaborates with the investment team to enhance risk-adjusted returns. Risk analysis assists with the management of our pooled funds, as well as the selection of external managers.

In 2007 we prepared a Credit Risk Policy that provides a framework for the management of credit risk in bclMC. The policy addresses the management of credit risk within fixed income, securities lending, and of approved brokers and derivatives counterparties.

The turmoil in the credit markets highlighted the potential risk exposure resulting from inadequate covenants. During the year, we continued to request tighter covenants on corporate bond issues to provide investors with enhanced protection against default or change of ownership.

Environmental risk management depends on our knowledge and understanding of potential risks and its impact on investment processes. Selected staff completed the "Climate

Change: Risks and Opportunities for the Finance Sector" course offered by the United Nations Environment Programme Finance Initiative. Environmental experts also provided an educational session for our Mortgages and Real Estate departments.

In 2006, we contracted Deloitte and Touche to assess our Environmental, Legal, and Operational Risk Frameworks. The review, completed this year, assessed the comprehensiveness of our frameworks in identifying and assessing risks. Our Environmental Risk Framework was judged to be comprehensive, and Deloitte and Touche suggested a range of options for modifying our Operational Risk Framework, some of which have been implemented.

We established an Operational Review Committee, a cross-departmental team that meets monthly to address initiatives affecting bclMC's operations. This committee considers the operational impacts of new products, change management and other systems and process-related initiatives.

Each year we voluntarily prepare an audited Report on Controls over the Investment System. The only significant issue identified in the 2007-2008 Report related to an external

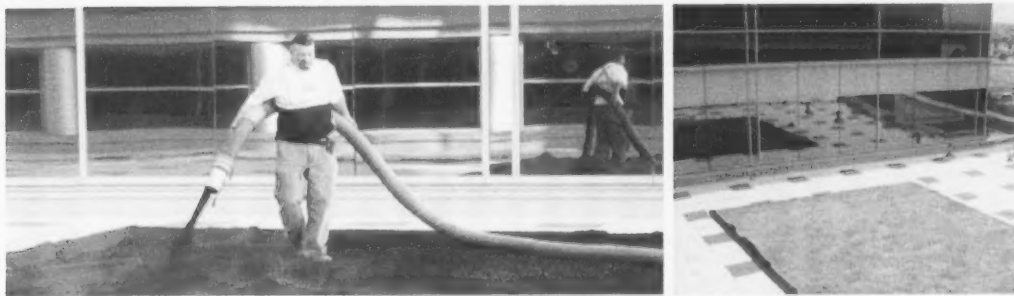
service provider. This issue was resolved in May 2007. The demanding requirements of this report provide management and clients with confidence in our internal controls.

ENSURING THE CONTINUITY OF OUR BUSINESS

Our business continuity planning involves the development, maintenance, and testing of plans to respond to a crisis, disaster, or risk event that threatens our ongoing operations. This ensures that our key business activities will continue with minimal adverse impact on clients, investments, and our staff.

Our permanent out-of-region recovery site became operational in 2007. In the event of a wide area disaster in the Victoria and Lower Mainland area, this site will allow us to continue operations.

We successfully completed a number of disaster recovery tests in 2007-2008, including a scenario with the bclMC Board. Results from these exercises were analyzed, and our recovery plans were updated where necessary.



In 2007, we assessed the feasibility of two pilot green roof test areas for the Royal Bank building, Ontario.

Responsible Investing

Integrating environmental, social, and governance issues into our investment process to protect and enhance investment returns.

As a signatory to the Principles for Responsible Investment, bclMC has voluntarily committed to consider the impact that non-financial issues may have on long-term investment performance. As signatories, investors undertake to include environmental, social, and governance (ESG) issues in investment decision-making, collaborate on implementation of the principles, be active equity owners, request good ESG disclosure by companies, and report on their own ESG work.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ADVOCACY AS A SHAREHOLDER

bclMC holds shares in over 3,000 public companies in about 40 markets. We take an active ownership approach to our equity investments and encourage positive ESG practices through our voting decisions, our direct company contact, our comments to regulators and policymakers, and our collaborative work with other shareholders

PROXY VOTING: During 2007-2008, bclMC voted at 1,500 shareholder meetings and analyzed 5,900 resolutions. We opposed management resolutions almost 26 per cent of the time, particularly proposals on executive compensation and share issues. Although company management generally submits shareholder meeting agenda items, shareholders may also submit resolutions. Close to 12 per cent of the resolutions we voted on were shareholder resolutions and we supported these resolutions 64 per cent of the time.

2007-2008 Proxy Voting by Region



We voted in favour of shareholder proposals for the separation of the chair and CEO roles, equal voting rights for all shareholders, guidelines for safeguarding human rights, and disclosure

Votes Against Management 2007-2008 (Global Portfolio)

ISSUE	% TIMES VOTED AGAINST
Executive Compensation	57
Share Issues	35
Board of Directors	32
Anti-Takeover Provisions	25
Mergers and Acquisitions	16

of company policies and payments to political parties and lobby groups.

Our voting is based on our Corporate Governance Principles and Proxy Voting Guidelines. Developed in consultation with our clients, the Guidelines reflect our ESG expectations. The Guidelines and our proxy voting records are available on our website.

Proxy voting assists with our corporate engagement activities. Our analysis enhances our understanding of individual companies and the markets in which they operate. This knowledge ensures that our discussions with companies are more credible and constructive.

ENGAGEMENT: We proactively engage companies, often on an ongoing basis, and use encouraging dialogue to influence company performance on ESG issues. Major news events and market developments will also lead us to engage with affected companies. Last year we contacted over 200 companies and:

- Encouraged 24 Japanese companies to participate in an electronic proxy voting platform to provide foreign investors with timely access to shareholder materials and an efficient voting capability; as of March 31, 2008, ten companies had signed onto the electronic voting service;
- Urged 26 Canadian companies to participate in the 2007 Carbon Disclosure Project questionnaire, of which 18 outlined their climate change risks and greenhouse gas management strategies;
- Noting the credit crisis, we enquired about the link between risk management and executive compensation practices of Canada's largest banks;
- Continued our dialogue with mining companies on the management of HIV/AIDS-related risks in their African-based ventures; and
- Enquired about the management of business risks from companies operating in regions experiencing political and social conflict.

COLLABORATION: We participate in global and regional investor networks to share ideas and resources for promoting best ESG practices. Shortly before the G8 summit in June 2007, bcIMC signed a Declaration on Climate Change along with a group of investors participating in the UN Environment Program. The Declaration emphasized the importance of government leaders and policymakers in setting standards to reduce greenhouse gas emissions.

bcIMC continues to collaborate with

ACCA
Asian Corporate Governance Association

CCGG
Canadian Coalition for Good Governance

CDP
Carbon Disclosure Project

ICGN
International Corporate Governance Network

INCR
Investor Network on Climate Risk

RPIC
Responsible Property Investing Centre

UNEPFI
United Nations Environment Programme Finance Initiative

REGULATORY AND PUBLIC POLICY WORK:

Communicating our views on best ESG practices to regulatory authorities and other standard-setters is an integral part of our corporate engagement activity. At times individual and collaborative efforts by shareholders may not succeed, making policy and regulatory solutions even more important. Our initiatives included:

- Submitting comments to the Canadian Securities Administrators' proposed changes to compensation disclosure in Canada;
- Sharing our views with the German Ministry of Finance on the proposed German Risk Reduction Act that would limit the ability of institutional investors to work together to suggest constructive changes at poorly governed companies; and
- Joining a collaborative letter writing campaign to the U.S. Securities and Exchange Commission to express investor opposition to proposals to limit or eliminate the rights of shareholders to file resolutions and nominate directors at U.S. companies.

RESPONSIBILITY IN OUR INVESTMENT PRACTICES

The integration of ESG factors into our investment processes is an ongoing initiative for our asset

classes. While there may be other opportunities that we can pursue, our investment strategies must be in our clients' best financial interests at all times.

MORTGAGES: In assessing applications for construction financing, our mortgage program will favour projects that match our clients' risk-return requirements and incorporate environmentally sound design principles. By year-end, we had provided construction financing for over 1.2 million square feet of LEED certified development in Canada. This included the Vento building, Alberta, (North America's first multi-residential building to receive LEED Platinum certification) and the Technology Enterprise Facility 3 at the University of British Columbia, (the first Silver LEED certified laboratory building in Canada).

PUBLIC EQUITIES: Our product range includes the U.S. Social Index Fund that provides participating clients with exposure to socially screened U.S. equity securities. We benchmark the fund against the Domini 400 Social Index that uses both negative screens and positive qualitative factors in selecting companies.

REAL ESTATE: Since the inception of our real estate program, we have invested in properties that are energy efficient and environmentally and tenant friendly. We recently expanded our mandate to include responsible building design and retrofits. Responsible property



In 2000, bdMC developed Ontario's 820,000 square foot Royal Bank building, where in 2007, we assessed two pilot green roof test areas.

investing initiatives are assessed prior to the purchase or development of new properties. Once within the portfolio, we ensure individual property business plans consider responsible property investing initiatives for implementation. We also analyze the sustainable components of all major capital budgets.

While certification is not a stated goal of our program, it is an indication of our commitment to responsible property investing. As of March 31, 2008, 46.9 per cent of our income-producing commercial portfolio was either BOMA Go Green or Go Green Plus certified. An additional 5.6 million square feet is targeted for certification in the near future. While pursuing our clients' best financial interests we incorporate environmentally efficient designs into our development projects. We are currently targeting an additional 2.5 million square feet for LEED certification.

In 2006, we clarified our approach to responsible property investing and set goals to guide our activities. The implementation of the first phase of an environmental measurement and reporting process for our office, residential and enclosed retail properties was a significant

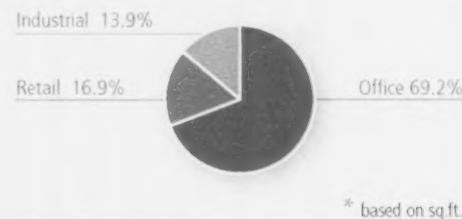
undertaking. With the assistance of our external managers, bclMC established baselines for the

Working to protect and increase the financial value of our clients' assets through responsible investing

consumption of energy and water, as well as the emissions of greenhouse gases. With our external managers we standardized the calculation and presentation of consumption data to ensure consistent reporting occurs at a portfolio level. We will continue to track the consumption and emissions of these properties and plan to introduce waste audits in 2008.

BOMA Go Green and Go Green Plus Certification by Property Type*

as of March 31, 2008



STRATEGIC INVESTMENTS AND

INFRASTRUCTURE: Many of our clients are interested in long-term assets that generate continuing cash flows while also taking into account environmental considerations. Since 2006, bclMC has made a dedicated

effort to invest in companies and funds involved in generating renewable power from biomass, solar, wind, hydroelectric or geothermal sources.

We have committed to seven private equity funds with either a full or partial focus on investments in alternative and renewable energies. By year-end, these funds had over 20 investments in the clean or renewable energy sector in Brazil, Canada, Europe, the U.K., and the U.S.

In 2007, a consortium that included bclMC announced its intention to acquire Puget Energy Inc., the parent company of Puget Sound Energy. With a diverse portfolio of power resources (including renewable sources), the company is committed to the provision of green power to the residents of Washington State. The transaction is expected to close in 2008.



Our Consulting and Client Services team serves as the link between our clients and our investment processes. From left to right: Lynn, Arthur, and Jim; Rob; Christina.

Client Servicing

Quality client service to build a life long partnership.

bclMC aims to deliver investment performance, products, and services that exceed our clients' expectations and ensures that we remain their investment manager of choice. With this in mind, we develop investment products that are in our clients' best financial interests and manage their portfolios to deliver the highest return for a given level of risk. Client service is integral to this process; by working in partnership with our clients, we understand their goals and investment needs, allowing us to offer the investment advice that helps them make informed decisions.

While client service is a corporate priority, our Consulting and Client Services team is the primary point of contact for our clients. Our client service consultants provide a link between the needs of our clients and the technical aspects of the investment processes. The team assists clients with the development of investment strategies that take into account the investment objectives, risk profiles, and other

restrictions that may affect the client's assets. Once the strategies are in place, our consultants will monitor the client portfolios weekly and will coordinate a rebalancing when required.

We make a concerted effort to engage our clients and their governing fiduciaries throughout the investment process on matters affecting their portfolios. Our client services team ensures that the lines of communication are kept open and that queries on key investment and risk matters are resolved in a thorough and timely basis. In addition to regular meetings and discussions, clients receive reports with updates on market trends, emerging issues, investment performance, responsible investing activities, and bclMC's ongoing initiatives.

NEW CLIENTS AND EXPANDED MANDATES

During the year, we welcomed one new client and accepted expanded mandates from three existing clients. These new mandates, from pension funds, the Province of British Columbia, and a publicly funded foundation, added almost \$300 million to funds under bclMC's management.

ONGOING CLIENT SERVICE

Asset-liability studies, typically conducted every three years, allow our pension fund clients to assess their investment strategy relative to their liability profile.

This is part of the ongoing investment planning and risk management of clients' portfolios.

This year, we prepared asset-liability studies for three pension clients that recommended an increased allocation to real assets. Significant work was also undertaken to implement asset mix transitions for two pension clients.

As the capital markets change, bclMC reviews and assesses our products and investment strategies to ensure they continue to meet our clients' investment needs. At times, we may restructure products or introduce new funds necessitating consultation with our clients. With the introduction of Maple Bonds, restructuring of our Active EAFE Fund and Asian Equity Pool, as well as the introduction of three new equity funds, our client services team interacted with clients on the investment rationale and the expected benefits.

During 2007, we finalized the rewrite of the Pooled Investment Portfolio Product Descriptions. This significant undertaking provided clients with improved product descriptions that

Working in partnership with our clients allows us to understand their goals and investment needs

include an overview of principal risks and policies governing each pooled fund.

We work closely with client trustees on their ongoing education requirements. An understanding of the complexities and trends within the capital markets allows trustees to make informed decisions about their portfolios. We organized two B.C. Public Sector Pension Conferences, exposing clients to specialists in the fields of responsible investing, capital market trends, corporate governance as well as investing in Asia. We also arranged two trustee orientation sessions for new pension trustees and continued the regular presentation of information sessions at client meetings. Our quarterly webcasts also allow clients to interact with our team on

current issues within the global markets.

ENHANCING OUR CLIENT SERVICE

We continued with our expansion of the client services team and recruited two new client service consultants. Training and development of our client consultants remains an ongoing priority. New client service consultants undergo extensive training to familiarize themselves with our products and performance reporting, including an in-depth review of each client's investment objectives and servicing requirements.

During the year, we reviewed the business requirements for the introduction of a Client Relationship Management (CRM) system and assessed a range of vendor programs. We initiated the implementation of a pilot CRM application and in the next fiscal year will consider its extended use. The implementation of a CRM system will allow us to deepen our knowledge of clients and keep track of their needs, ultimately enhancing client service.

Building bcIMC

Employing the best people and using the best support systems and processes to deliver the best returns possible for our clients.

THE bcIMC TEAM

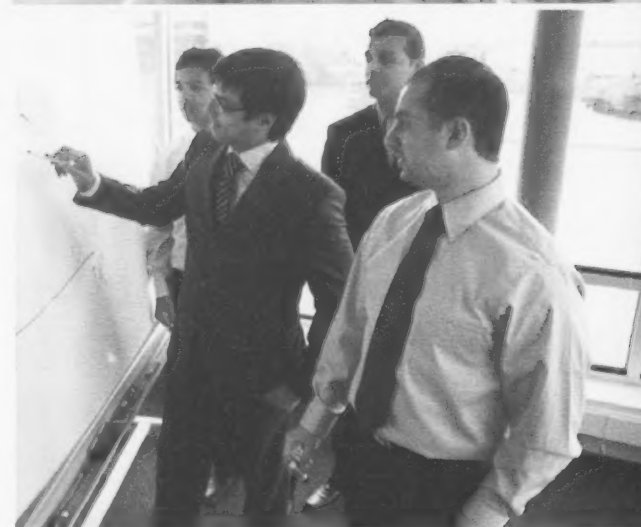
We are a high calibre and culturally diverse team with 139 people from a variety of professions including investment, actuarial, economic, accounting, legal, and administration. This diversity provides bcIMC with the talent and experience to deliver the returns our clients expect within a competitive and challenging environment.

COMPETING IN A GLOBAL INDUSTRY: With the increasing sophistication of the capital markets, we have recognized the need to introduce additional skills. This year we added an additional 13 positions and it is likely that we will continue to grow in the near future.

A number of factors affect our ability to attract and retain the best professionals. On the recruitment front, the pool of candidates with the expertise and international exposure we seek is relatively small within Canada. Active recruitment methods have replaced the more traditional approaches we used in earlier years. We assess the effectiveness of different marketing strategies in our efforts to build a dynamic recruitment approach. bcIMC is showcased as a compelling career proposition and we continue to benefit from our relationships with the University of British Columbia, Simon Fraser University, and the University of Victoria, as well as Camosun College.

This year we lost some of our seasoned professionals to the marketplace, despite providing competitive compensation and a professional work environment. Our turnover has not distracted us from focusing on the strategic management of the talent of our highly skilled individuals who make quality business and investment decisions.

During the year, our recruitment activity focused on filling the newly created positions and the vacancies



(top) Jen taking new bcIMC staff through our employee orientation program. (bottom) Our Corporate Analysts for 2007 and 2008, left to right: Saurabh, Sameer, Bunty and Finas, collaborating on an investment issue.

that occurred. We finalized 14 permanent recruitments, 2 temporary hires, and facilitated 11 internal transfers and promotions.

OPPORTUNITIES TO LEARN

AND GROW: Continuous training initiatives are paramount to our success. In a rapidly changing market where new tools and strategies are constantly introduced, we have an eye to the future when considering our skill development. Accordingly, we promote a culture of life long learning and encourage the individual learning endeavours of our team.

In the past year, we supported staff enrolled in designation programs such as the Chartered Financial Analyst, the Chartered Alternative Investment Analyst, and the various accounting designations. We also encouraged our support staff to enrol in investment-related courses such as the Canadian Securities Course. Individual staff also completed the "Climate Change: Risks and Opportunities for the Finance Sector" course offered by the United Nations Environment Programme Finance Initiative. Leadership and management skills are equally important and we support strategically selected staff in enhancing their leadership capacity through university-offered programs.

We encourage staff to participate in conferences and seminars and to share their knowledge by tutoring students in investment-related courses.

Providing a challenging and professional work environment for our staff

Guest speakers and prominent investment professionals are also invited to interact with our team on topical issues and the future of the capital markets. Our own professionals also host on-site workshops, open to all bclMC staff, on issues within the investment industry.

Exposure to new cultures is an important aspect of building a culturally diverse team. In 2007 we established a China Business/Culture Group to further our understanding of Greater China, its investment opportunities, and its culture. We have interacted with experts on China's economy and culture and celebrated the Chinese New Year with traditional food and beverages. We also provided a two-month work program for two investment professionals from the Ministry of Finance of the People's Republic of China. Additional cultural groups will be introduced in the near future.

Other training initiatives include expanding our Corporate Analyst program allowing selected new graduates to gain exposure to a variety of asset classes and other investment-related processes during their one-year internship.

A PROFESSIONAL WORK ENVIRONMENT:

We are comfortable in the knowledge that our people are motivated and engaged and have the expertise needed to accomplish our goals. bclMC provides staff with the opportunity to work in a stimulating work environment supported by quality technology.

We have built a team with an invaluable cross section of experience and knowledge. Our investment professionals span a diverse age demographic, providing for the intergenerational transfer of knowledge over the long term. This cross section of seasoned and newly educated professionals allows bclMC to foster a team culture.

bclMC is client-focused and operates according to values that put our clients front and centre. These values are reinforced through our culture and compensation plans that reward client-focused and solution-oriented behaviour. We pay our investment professionals a median

base salary of other large in-house public pension fund managers in Canada, complemented by performance incentive plans designed to foster alignment of staff and client interests. In the case of our core services staff, median salary levels are determined by expanding the employer comparator group to include public and private sector employers within British Columbia. Our performance-based pay ties the individual and team performance with meeting client expectations and delivering bcIMC's corporate objectives.

OUR INFORMATION TECHNOLOGY

As the competition for investments increases and becomes more global in nature, information systems play an increasingly important role in providing timely information and tracking trends that enhance investment analysis, performance management, risk measurement, as well as support our client needs.

To accommodate the demands of global investing, we implemented 24/7 trading for our international securities portfolios. System enhancements were also made to allow for the hedging of the British pound, hedging in bcIMC's internal pools, and segregated hedging in individual client portfolios.



Debbie and Rick overseeing the server that provides 24/7 support to our investment processes.

Improving corporate system effectiveness was a priority for the year. We introduced a new corporate accounting system and an integrated human resources information and payroll system. bcIMC staff now enjoy on-line self-service facilities for personal and payroll information.

We re-engineered a number of systems from legacy environments. bcIMC's Proxy Voting System was re-written to streamline data management and incorporate innovations in the management of governance initiatives.

It allows for more efficient recordkeeping and increased transparency in our voting activities.

Progress was also made on our records management initiative with the selection of an administrative system to track bcIMC's records. This is a step towards moving from a paper-based to an e-filing operation. The new system will improve record filing, enhance our search capabilities, and facilitate off-site storage as well as the orderly disposal of obsolete documents. We also initiated a pilot project to convert and store documents electronically.

Understanding the trends and issues in the broader information systems world and the investment industry is equally important. We hosted an information technology retreat and invited guest speakers from the investment and information technology industry to discuss the trends and opportunities in the next three to seven years. The results of these discussions are incorporated into the strategic management of bcIMC's information technology.

COST EFFECTIVENESS

bcIMC operates on a cost recovery basis and we aim to provide our clients with investment management services at a reasonable cost.

This is partly possible through the economies of scale offered by managing \$85 billion and the pooling of clients' assets, enabling us to charge lower fees than our peer group. Cost advantages are also possible with the internal management of almost 60 per cent of assets.

Our fee structure relates to the types of assets under management and the proportion of clients' assets managed by external professionals. Changes in a client's asset mix and investment strategy will alter bclMC's costs and the client's fees.

Our operating costs were 19.8 cents per \$100 of assets under administration. According to the annual independent survey by Cost Effectiveness Management Inc., our fees continue to be among the lowest in the industry on a per dollar of assets managed basis.

REDUCING OUR CORPORATE FOOTPRINT

We believe that human activity is a significant contributor to climate change. Through our corporate engagement activities, we encourage companies to review their practices and

develop strategies to reduce their environmental footprints. Likewise, bclMC has a similar responsibility.

Reducing our corporate footprint by implementing sustainable office practices

Our Sustainability Committee was established in 2007 to raise our awareness and promote sustainable office practices. The Committee's initiatives included:

- Establishing baselines for our energy and paper consumption and the emissions of greenhouse gases generated from our business travel;
- Participating in an energy audit of the bclMC offices and collaborating with our landlord on the future implementation of energy efficient recommendations;
- Reducing the waste going to local landfills by expanding our recycling program to include styrofoam, coffee cups, and metal, and introducing a composting program for all organic waste, paper cups, and towels;

- Encouraging staff and business partners to use electronic documents instead of paper-based documents; and

- Introducing 100 per cent recycled paper and setting printer defaults to double-sided printing.

Some of our systems initiatives have environmental spin-offs. The introduction of an integrated human resources information and payroll system provides on-line notification of salary payments, eliminating over 3,500 paper notifications per year. Our records management initiative is a step towards an electronic records management system, while online collaboration sites have reduced the need for paper reporting.

Other initiatives include the on-site installation of video conferencing facilities. Fifteen video conferences were held by year-end, reducing the greenhouse gas emissions generated by the travel for face-to-face meetings. We also replaced all high energy CRT monitors with thin screen LCD monitors during 2007 and recycled all hardware and packaging.

OUR BOARD OF DIRECTORS

Our Board of Directors

COMPOSITION OF THE BOARD

The *B.C. Public Sector Pensions Plan Act* requires our Board to have seven directors as follows:

- One director appointed by the College Pension Board from among its members;
- One director appointed by the Municipal Pension Board from among its members;
- One director appointed by the Public Service Pension Board from among its members;
- One director appointed by the Teachers' Pension Board from among its members;
- Two directors, representative of other clients, appointed by B.C.'s Minister of Finance; and
- One other director appointed by B.C.'s Minister of Finance and designated to be the Chair of the Board.

These nominating bodies are aware of our criteria relating to the knowledge, experience, and skill set we look for in bcIMC directors. These criteria are disclosed on our website.

BOARD INDEPENDENCE

All directors and the Board Chair are non-executive directors and independent of management.



Sid Fattedad, Vancouver, British Columbia

Now retired, Sid was formerly the Chief Financial Officer of WorkSafeBC for 14 years until December 2007. Prior that appointment, he was the Senior Vice President of Customer Service for Canadian Pacific Airlines and held other senior executive management positions during his 25 years at the corporation. Sid is a Fellow of the Certified General Accountants Association of Canada and is a recipient of the prestigious John Leslie Award from the Association for exemplary public service. He is also a recipient of the Canada 125 Award for outstanding service to Canada.

bcIMC Board and Committee Appointments

Date joined: November 1, 1999	Chair bcIMC Board of Directors (Appointed October 15, 2007)
Current term: to April 30, 2010	Member, Audit Committee (2000 - 2002)
Independent	Member, Human Resources and Compensation Committee (2003 - 2007)
Appointed by B.C.'s Minister of Finance	

Other Board Directorships/ Trusteeships During the Last Five Years

	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS AND TERM
Coast Mountain Bus Company	2005 - present	-	Y 2005 - present
Industrial Alliance Pacific	2007 - present	Audit Committee Conduct Review Committee	N
Terminal City Club of Vancouver	2001 - present	Audit Committee Finance Committee House Committee Pension Committee	N
WCB Superannuation Plan (Trustee)	1994 - 2007	-	N



Joan Axford, Victoria, British Columbia

Joan is the Secretary - Treasurer for School District No. 63 (Saanich) and has been involved in public education since 1983. This included work with school districts and the Ministry of Education and serving as President of the B.C. Association of School Business Officials in 2002-2003. Joan is the 2005 recipient of the Larry Ozero Leadership Award for leadership in school district corporate and business administration. Joan is a professional accountant and holds a CMA designation.

bcIMC Board and Committee Appointments

Date joined: November 1, 1999	Chair, Human Resources and Compensation Committee (2002 - present)
Current term: to December 31, 2008	
Independent	Member, Audit Committee (2000 - 2002)
Appointed by the Teachers' Pension Board of Trustees	

Other Board Directorships/ Trusteeships During the Last Five Years

	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS AND TERM	
B.C. Association for School Business Officials	2001 - 2004	Professional Development Committee	Y	2002 - 2003
Teachers' Pension Plan (Trustee)	1999 - present	Benefits and Communications Committee (Chair)	N	-



Frank Leonard, Saanich, British Columbia

Frank is the Mayor of the District of Saanich, an office he has held since his election in 1996. Prior to his election, Frank managed three Victoria Tire Ltd. stores in Greater Victoria. He has served as the President of the Greater Victoria Chamber of Commerce (1985), as a director of Tourism Victoria and also the Greater Victoria Economic Development Commission. Frank is currently a part-time business management instructor at the University of Victoria and was an MBA advisor at Royal Roads University. He holds a B.A. (Honours) and an M.A. from the University of Victoria.

bcIMC Board and Committee Appointments

Date joined: January 1, 2007	Chair, Audit Committee (2007 - present)
Current term: to December 31, 2009	
Independent	
Appointed by the Municipal Pension Board of Trustees	

Other Board Directorships/ Trusteeships During the Last Five Years

	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS AND TERM	
Capital Regional District and Capital Regional Hospital District	1987 - present	-	N	
Federation of Canadian Municipalities	2006 - present	Community Safety	N	
F.V. Leonard Holdings	1974 - present	-	N	
Municipal Finance Authority	2000 - present	Finance and Administration	Y	2000 - present
Municipal Pension Plan (Trustee)	2002 - present	Investment Committee Employer Eligibility Committee Benefits Committee Valuation Committee	N	
Saanich Police Board	1996 - present	-	Y	1996 - present
Union of BC Municipalities	1999 - 2005	-	Y	2003 - 2004
Victoria Regional Transit Commission	1996 - present	-	N	
Victoria Tire Ltd.	1974 - present	-	N	

OUR BOARD OF DIRECTORS



Anne Lippert, Vancouver, British Columbia

Anne is the Principal of Anne Lippert Consulting and Vice President Lippert Investments Ltd. Anne retired from the Royal Bank in 1999 where she was Vice President, Strategic Initiatives, British Columbia & Yukon, and also responsible for the management of the Royal Bank Financial Group Foundation Committee. Anne now consults on corporate social responsibility, corporate governance, and revenue and development strategies for not-for-profits. Anne is a recipient of numerous business

and leadership awards, with the 2004 Leadership Vancouver Award being the most recent.

bclMC Board and Committee Appointments

Date joined: October 15, 2007

Current term: to October 15, 2010

Independent

Appointed by B.C.'s Minister of Finance

Member, Human Resources and Compensation Committee (2007 - present)

Other Board Directorships/ Trusteeships During the Last Five Years

	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS AND TERM
B.C. Women's Hospital Foundation	1994 - 2003	-	Y 1994 - 1997
Bill Reid Foundation	1999 - present	Finance Committee (Chair)	N
British Columbia Institute of Technology (Governor)	1999 - 2005	Audit Committee (Chair)	N
Children's and Women's Hospital of British Columbia	1994 - 2003	Finance Committee	N
Kate Booth House Community Council	2003 - present	-	Y 2003 - present
KCTS Channel 9 Advisory Board	1995 - present	-	Y* 2001 - present
Pacific Coast Public Television	2006 - present	Development Committee	N
Pacific Pilotage Authority	1998 - 2005	Audit Committee (Chair) Safety and Operational Review Committee (Chair)	N
Salvation Army Advisory Board	Life Member	Hope in the City Committee	N
SFU Morris J. Wosk Centre for Dialogue Advisory Council	2002 - 2005	-	N
Sutton Group Financial Services Ltd.	2000 - 2004	Finance Committee	N

*Anne serves as the Canadian Vice Chair of this Seattle-based organization.



Ron McEachern, North Saanich, British Columbia

Ron has worked in human resources and labour relations for over 30 years. Prior to retiring in 2005, Ron was an Associate Deputy Minister of Employee Relations in the B.C. Public Service Agency. Ron holds a B.Sc. from the University of Victoria and has completed certificate courses with the International Foundation of Employee Benefit Plans in the Advanced Trustee Management Standards Program.

bclMC Board and Committee Appointments

Date joined: April 1, 2007

Current term: to March 31, 2010

Independent

Appointed by the Public Service Pension Board of Trustees

Member, Human Resources and Compensation Committee (2007 - present)

Other Board Directorships/ Trusteeships During the Last Five Years

	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS AND TERM
Labour Relations Board (Member)	1995 - 2003	-	N
Public Service Pension Board (Trustee)	2002 - present	Benefits and Communication Committee Communications Sub-committee Litigation Committee	N
Ron E. McEachern & Associates Ltd.	2004 - present	-	Y 2004 - present



Joanne McLeod, Vancouver, British Columbia

Joanne brings established finance experience gained as Vice President and Treasurer of Westcoast Energy (now Duke Energy Gas Transmission), a position she held until 2002. In her 12 years at Westcoast, Joanne assumed a leadership role in a period of unprecedented growth, during which the company's asset base grew from \$3.6 billion to over \$15 billion. Previously, Joanne was responsible for large corporate and government accounts with CIBC. She holds a B.Comm. from the University of

Saskatchewan and a law degree from Queen's University.

bciMC Board and Committee Appointments

Date joined: December 31, 2007
Current term: to December 31, 2010
Independent
Appointed by B.C.'s Minister of Finance

Member, Audit Committee
(2008 - present)

Other Board Directorships/ Trusteeships During the Last Five Years

	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS AND TERM
British Columbia Transmission Corporation	2003 - present	Audit Committee (Current member) Capital Review Committee (Chair) Human Resources, Safety and Environment Committee (Past member)	N
Forum for Women Entrepreneurs	2002 - 2004	-	N
St. Paul's Hospital Foundation	2001 - present	Finance Committee (Current member and past Chair)	N



John Wilson, New Westminster, British Columbia

John is an instructor at the School of Business, Capilano College. Previously, he was a general practice manager and computer audit specialist with Coopers & Lybrand and was one of Canada's early Certified Information Systems Auditors. John is Past President of Capilano College's faculty association and has acted as Chief Negotiator and Chief Steward. He has been active on pension issues for nearly 20 years and is involved in provincial pension issues on behalf of the Federation of Post Secondary Educators of

B.C. John is a Chartered Accountant and has the ICD.D certification.

bciMC Board and Committee Appointments

Date joined: September 1, 2005
Current term: to August 31, 2010
Independent
Appointed by the College Pension Board of Trustees

Member, Audit Committee
(2005 - present)

Other Board Directorships/ Trusteeships During the Last Five Years

	TERM	COMMITTEE APPOINTMENTS	BOARD CHAIR POSITIONS AND TERM
British Columbia Pension Corporation	2000 - 2005	Audit and Finance Committee Human Resources Committee	Y 2000 - 2001* 2002 - 2003* 2004 - 2005*
Capilano College Faculty Association	1986 - present	Joint Standing Committee Bargaining Committee	Y 2006 - 2007
College Pension Plan (Trustee)	2000 - present	Benefits Committee Communications Committee (Chair) Interplan Audit Committee (Chair) Litigation Committee (Past member) Interplan Succession Committee (Past member)	N
Congregation of Shiloh-Sixth Avenue United Church	2004 - 2006	Joint Needs Assessment	Y 2004 - 2006
Federation of Post Secondary Educators Pension Advisory Committee	1988 - 2004	-	Y 2002 - 2004
iGEN Knowledge Solutions	2000 - present	-	N
United Church of New Westminster	2002 - 2004	Joint Needs Assessment	N

* Fiscal year terms

OUR CORPORATE GOVERNANCE



bcIMC Board of Directors (left to right) Joan Axford, Joanne McLeod, bcIMC Board Chair - Sid Fattedad, John Wilson, Frank Leonard, Ron McEachern, Anne Lippert.

Our Corporate Governance

We are committed to demonstrating high governance standards and benchmarking our practices against best practice corporate governance principles.

bcIMC was established by the *B.C. Public Sector Pensions Plan Act* (the "Act"). In accordance with the Act, the Board oversees bcIMC's operations, reviews and monitors the CEO/CIO's performance, and ensures proper reporting and accountability to our clients. The Board is also required to approve pooled fund investment policies, to select and appoint our CEO/CIO and auditors, to approve the business plan and annual budget, and to establish an employee classification system and compensation scale.

Investment professionals under the supervision of the CEO/CIO make all investment decisions within the framework of the policies approved by the Board and established by bcIMC's clients.

BOARD ACTIVITY AND COMMITTEES

The Board meets on a quarterly basis. Meetings are scheduled in advance. Additional meetings are arranged when issues arise that require immediate Board attention. The Board also holds an annual strategic retreat.

The Board has two standing committees:

- The Audit Committee, consisting of three directors, meets at least three times a year and oversees bcIMC's audit programs, financial management controls, and financial reporting.
- The Human Resource and Compensation Committee, consisting of three directors, meets at least twice a year and reviews matters relating to human resource strategies, compensation philosophy, succession management, performance incentive plans, and employee classification systems.

The CEO/CIO attends all Board and Committee meetings.

DIRECTOR ATTENDANCE

The table lists the Board and Committee meetings held in 2007-2008 and director attendance.

Directors who are members of Committees are expected to attend Committee meetings; directors who are not Committee members may be invited to attend meetings as a guest.

DIRECTOR ORIENTATION

bclMC maintains an orientation program for new directors. The New Director Orientation program includes written materials and a scheduled orientation program. Each new

director receives a binder with up-to-date information on the Board's functions and responsibilities, bclMC's business plan and budget, our organizational structure and human resource policies, our risk management program and the Board Recovery Plan, as well as details on key operational functions. The CEO/CIO and senior management staff assist with the orientation of new directors.

Director Attendance of bclMC Board and Committee Meetings

	Board	Strategy Retreat	Audit Committee	Human Resources and Compensation
	Attended	Attended	Attended	Attended
Chris Trumpy ¹	2 / 2	n/a	1 / 1	
Joan Axford	4 / 4	1 / 1		3 / 3
Bob Elton ²	0 / 2	n/a	0 / 1	
Sid Fattedad ³	4 / 4	1 / 1	1 / 1	2 / 2 ⁴
Frank Leonard	4 / 4	0 / 1	2 / 2 ⁵	
Anne Lippert ⁶	2 / 2	1 / 1		2 / 2 ⁷
Ron McEachern ⁸	4 / 4	1 / 1		1 / 1 ⁹
Joanne McLeod ¹⁰	2 / 2 ¹¹	1 / 1	2 / 2 ¹²	
John Wilson	4 / 4	1 / 1	3 / 3	2 / 2 ¹³

¹ Chris Trumpy resigned from the Board on October 15, 2007. ² Bob Elton resigned from the Board on October 15, 2007. ³ Sid Fattedad was appointed Chair of the Board effective October 15, 2007. ⁴ Sid Fattedad attended one HRCC meeting in the capacity as a member and another as an invited guest. ⁵ Frank Leonard was newly appointed to the Audit Committee as Chair effective November 23, 2007. ⁶ Anne Lippert was appointed to the Board effective October 15, 2007. ⁷ Anne Lippert was appointed to the HRCC effective November 19, 2007. ⁸ Ron McEachern was appointed to the Board effective April 1, 2007. ⁹ Ron McEachern was appointed to the HRCC effective February 6, 2008. ¹⁰ Joanne McLeod was appointed to the Board effective December 31, 2007. ¹¹ Joanne McLeod attended the 2007 December Board meeting and Strategy Retreat as an invited guest. ¹² Joanne McLeod attended the November Audit Committee meeting as an invited guest and was appointed to the Audit Committee effective March 19, 2008. ¹³ John Wilson attended two HRCC meetings as an invited guest.

CODE OF CONDUCT FOR DIRECTORS

The Code of Conduct posted, on the bclMC website, outlines the minimum standard of conduct required of all directors. Directors must make timely disclosure of any direct or indirect interest, material or not, in any proposed or completed bclMC contract, transaction, or investment. Directors must also abstain from voting on matters in which they have a personal interest.

BOARD EVALUATION AND ASSESSMENT

With the assistance of Versity HR Solutions Inc., the directors completed a Board self-evaluation process that assessed the Board's effectiveness in key areas. The Board discussed the results and identified areas that require additional or new emphasis. The Human Resources and Compensation Committee administers the process.

OUR CORPORATE GOVERNANCE

Executive Compensation

	Year	Base Salary ¹	Annual Incentive ²	Long-Term Incentive Plan ³	Benefits and Other Compensation ⁴	Total Compensation ⁵
Doug Pearce	2007-2008	\$421,918	\$171,054	\$72,733	\$61,032	\$726,737
CEO/CIO	2006-2007	\$337,496	\$148,068	\$65,415	\$48,034	\$599,013
Bryan Thomson	2007-2008	\$238,430	\$76,823	\$47,239	\$51,672	\$414,164
VP, Public Equities	2006-2007	\$199,029	\$74,803	\$44,440	\$28,533	\$346,805
Daryl Jones	2007-2008	\$213,612	\$74,735	\$46,236	\$30,627	\$365,210
VP, Consulting and Client Services	2006-2007	\$179,684	\$73,780	\$45,919	\$28,044	\$327,427
Chuck Swanson	2007-2008	\$198,754	\$67,941	\$42,431	\$46,875	\$356,001
VP, Real Estate	2006-2007	\$169,287	\$71,010	\$41,684	\$26,598	\$308,579
Lincoln Webb	2007-2008	\$223,273	\$74,918	—	\$51,702	\$349,892
VP, Private Placements	2006-2007	\$158,714	\$33,188	—	\$25,734	\$217,636

1 Base Salary: The salaries of executive management is guided by the Board's compensation philosophy to pay median base salary levels among other large in-house public pension funds in Canada, complemented by performance incentive plans designed to foster alignment of employee interests with clients. For core services positions, the employer comparator group is expanded to include public and private sector employers within British Columbia.

2 Annual Incentive: Our performance-based pay links performance payments to the overall investment performance measured against industry benchmarks, the department's role in attaining investment returns and business objectives, as well as the individual's contribution to defined results. All staff participate in the Annual Incentive Plan which is calculated as a percentage of salary, weighted to reflect the role and impact the position has on corporate performance which is rated according to three value drivers:

- Total Fund Performance – to align overall performance with client expectations and to promote corporate-wide teamwork;
- Business Unit Performance – to recognize both investment and non-investment performance objective achievement of the business unit team; and
- Individual Contribution – to recognize and reward individuals' efforts.

3 Long-Term Incentive Plan (LTIP): This plan is designed to enhance the retention of key personnel by providing them with the opportunity to earn additional remuneration derived from investment return performance. Participation in the LTIP is extended to personnel serving in roles important to the long-term success of the corporation. The program's intent is to assist bclMC in our endeavour to retain personnel with the desirable skills and experience required to positively impact bclMC's investment performance. This is achieved by linking a portion of their personal remuneration to the long-term investment performance of the corporation. The LTIP formula acknowledges and rewards overall investment return performance results, with emphasis on consistent value-added performance every year, accruing over a four-year time period.

4 Other Compensation: Includes bclMC funded benefits and provisions such as medical, dental, extended health, life insurance coverage, parking, payout for unused annual vacation entitlement, and contributions to the Public Service Pension Plan (a defined benefit pension plan). bclMC also contributes to legislated benefits such as Workers' Compensation, Employment Insurance, and the Canadian Pension Plan. bclMC's remuneration packages do not include stock options.

5 Compensation reported constitutes the total compensation received by the identified individuals. All values are inclusive.

COMPENSATION

DIRECTOR: The Act provides that bclMC may pay directors remuneration for their service on the Board and its committees that is consistent with the Province of British Columbia's Treasury Board Guidelines. If a director already receives remuneration for bclMC Board or Committee service, such fees are paid to the director's employer.

During 2007, the Board reviewed the remuneration for the Board of Directors and approved an adjustment consistent with the Treasury Board Guidelines. Director remuneration rates, effective November 1, 2007, are indicated in the table above right.

EXECUTIVE: bclMC operates in an industry that competes globally for the skills and expertise of investment-related professionals. We seek to recruit and retain executive management staff to provide leadership in global investment management and business-related functions. We provide challenging work opportunities, support continued professional development, and pay competitive base salaries.

Our executives are remunerated in line with the Board's compensation philosophy of paying median base salary levels complemented by performance incentive plans that align staff interests with clients. Median base salary levels are determined by a comparison among other

Director Remuneration Rates

Position	Annual Retainer	Per Diem
Board Chair	\$20,000	\$500
Director	\$10,000	\$500
Committee Chair	\$5,000	\$500
Committee Member	—	\$500

large in-house public pension fund managers in Canada. For core services roles, the comparator group is expanded to include public and private sector employers within British Columbia.

Our compensation structure for executive management includes a base salary, comprehensive benefits coverage, and performance-based remuneration through an annual incentive plan and a long-term incentive plan. As a statutory corporation with one share with a par value of ten dollars, bclMC does not issue share options to our staff.

The total compensation earned in the 2007-2008 by the five most highly compensated executive officers, and their total compensation in 2006-2007 is disclosed on page 56. Total compensation for bclMC's five most highly compensated executive officers was \$2.2 million in 2007-2008 (\$1.9 million in 2006-2007). Compensation for our entire staff complement

was \$21.5 million in 2007-2008 (\$15.8 million in 2006-2007).

CONTINUING DIRECTOR EDUCATION

This program is a combination of courses and conferences offered by external parties and regular discussions on pre-determined topics with our executive management.

While directors take personal responsibility for selecting educational opportunities, directors are encouraged to enrol in professional development courses and participate in industry-related conferences or seminars.

The Board of Directors' extranet provides listings of conferences, seminars, and courses and other relevant information. bclMC reimburses education-related expenses. Continuing director education for 2007-2008 is disclosed on page 58.

OUR CORPORATE GOVERNANCE

GOVERNANCE INITIATIVES

During the year, the Board undertook a range of initiatives to enhance existing governance practices, in particular:

- Reviewed the Board of Directors' Code of Conduct and recommended that changes be introduced in the new fiscal year;
- Updated the mandates of the Audit Committee and the Human Resources and Compensation Committee; and
- Updated the Directors' Guide to Recovery and participated in a simulated crisis scenario, allowing the Board to test the recovery procedures.

The Board also considered a number of initiatives critical to maintaining the governance of bclMC, in particular:

- Reviewed and approved the revised product descriptions of the Pooled Investment Portfolio Product Descriptions;

- Considered the Deloitte and Touche assessment of bclMC's Environmental, Legal, and Operational Risk Management Frameworks; and

- Assessed the initiatives to enhance bclMC's brand.

Continuing Director Education

	Topic	Presented/Hosted by	Date
Ron McEachern	Canadian Investment Institute	International Foundation - Education, Benefits and Compensation	November 18 - 21, 2007
Joanne McLeod	Fall 2007 Audit Committee Institute Roundtable - Audit Committee Oversight: Tax Risk -The Move to IFRS	KPMG	December 5, 2007
	Risk Reward Equation: Directors and Internal Auditors	Institute of Corporate Directors	February 13, 2008
	The Directors' Series: Beyond Compliance - Preparing for Year-end Audit Committee Meetings	Deloitte – Centre for Corporate Governance	January 10, 2008
	Directors Education Program - Module 1: Guiding Strategic Direction and Risk	Institute of Corporate Directors	March 28 - 30, 2008
John Wilson	Compliance in a Federated Environment	Institute of Corporate Directors	November 13, 2007
	Risk Reward Equation: Directors and Internal Auditors	Institute of Corporate Directors	February 13, 2008
	Brands in the Boardroom	Institute of Corporate Directors	February 28, 2008

GIVING BACK TO THE COMMUNITY

Giving Back to the Community

Contributing to the investment industry and local community

AN ACTIVE PARTICIPANT IN THE INVESTMENT AND PENSION INDUSTRY

We believe that sharing our experience with our peers reaps long-term benefits for all parties.

In 2007, the governments of Alberta and British Columbia appointed the Alberta-British Columbia Joint Expert Panel on Pension Standards. The panel will review the pension standards in each province and make recommendations for sustaining and improving each pension system. bclMC submitted a discussion document to the panel.

Our staff addressed a range of conferences including the Asian Corporate Governance Association, Globe 2008, as well as the Pension Investment Association of Canada. Other events included the Risk Roundtable of large Canadian Pension Fund Managers and the Toronto Real Capital Forum.

We also contribute to associations such as the Forum for Women Entrepreneurs, the Pacific Pension Institute, and the Pension Investment Association of Canada. Our staff are active members of bodies that include the CFA Institute and the Canadian Association for Business Economics.

GUIDING THE INVESTMENT PROFESSIONALS OF THE FUTURE

We have relationships with Simon Fraser University, the University of British Columbia, the University of Victoria, as well as Camosun College. We interact on industry-related research, mentor portfolio management students, and participate in panel discussions. bclMC is represented on the SFU Executive Council and advises on the MBA course content.

This year, five students participated in our four-month work programs. Students are assigned projects related to daily investment and accounting operations.



Gina, bclMC's United Way representative, Owen, Chair of the 2007-2008 bclMC campaign, and Joel, Deputy Chair, with the awards recognizing our staff contributions to the campaigns of the United Way of Greater Victoria over the last 12 years.

We also advise students on interview skills and the preparation of résumés. We participate in university-arranged mock interviews, providing candid yet supportive advice on interviewing for investment-related positions.

CONTRIBUTING TO OUR COMMUNITY

Our staff continue to participate in the United Way fund-raising campaign. Our efforts, which have routinely earned bclMC recognition for our contributions and spirit, assist 41 local charities.

Other initiatives include contributing to the Burnside Gorge Community Association's Christmas Hampers and participating in the Canadian Blood Services' Partner for Life program.

OUR VISION, MISSION AND VALUES

Our Vision

We will be the responsible fund manager of choice for the British Columbia public sector, at the forefront of the industry, and consistently exceeding the performance and service expectations of our clients.

Our Mission

We are accountable to our clients to provide professional fund management for all asset classes, exercising the highest standards of prudence and fiduciary responsibility. We deliver to our clients the highest return for a given level of risk at a reasonable cost, while recognizing our responsibility to the broader society through our governance, social and environmental related activities.

Our Values

Respect, Integrity, Honesty, and Trust



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FINANCIAL STATEMENTS

Management's Responsibility for Financial Statements



Location: 3rd Floor, 2940 Jutland Road, Victoria, B.C. V8T 5K6

Mailing Address: PO Box 9910, Victoria, B.C. V8W 9R1

May 9, 2008

Responsibility for the integrity and objectivity of the accompanying consolidated financial statements of the British Columbia Investment Management Corporation (the "Corporation") rests with management. The financial statements, which by necessity include some amounts that are based on management's best estimates and judgements, are prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within the framework of the significant accounting policies summarized in the financial statements and present fairly the Corporation's financial position, results of operations and cash flow. The financial statements have been reviewed and approved by the Corporation's Board of Directors.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records maintained. The internal accounting control process includes management's communication to employees of policies that govern ethical business conduct.

These consolidated financial statements have been examined by the Corporation's independent auditor, KPMG LLP, and their report is presented herein.

A handwritten signature in black ink, appearing to read "D Pearce".

Doug Pearce
Chief Executive Officer
Chief Investment Officer

A handwritten signature in black ink, appearing to read "D Woodward".

David Woodward
Vice President, Finance & Operations

Auditor's Report to the Shareholder



We have audited the consolidated balance sheet of British Columbia Investment Management Corporation as at March 31, 2008 and the consolidated statements of operations and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada
May 21, 2008

FINANCIAL STATEMENTS

Consolidated Balance Sheet

AS AT MARCH 31

ASSETS

Current assets

Cash and short-term investments (note 4)
Accounts Receivable
Direct costs (note 5)
Fees and other
Prepaid expenses

Capital assets (note 6)

LIABILITIES AND EQUITY

Current liabilities

Accounts payable and accrued liabilities
Direct costs (note 5)
Other (note 7 and 8)

Long-term employee benefits (note 7)

Equity

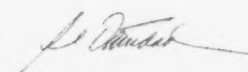
Share capital (note 1)
General reserve
Retained earnings

Commitments (note 9)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

2008 (\$000's)	2007 (\$000's)
8,539	7,210
40,747	32,246
3,220	2,780
460	341
52,966	42,577
719	894
53,685	43,471
36,727	30,635
12,238	8,541
48,965	39,176
2,292	1,927
51,257	41,103
-	-
1,243	1,243
1,185	1,125
2,428	2,368
53,685	43,471


Director


Director

Consolidated Statement of Operations and Retained Earnings

FOR YEAR ENDED MARCH 31

	2008 (\$000's)	2007 (\$000's)
REVENUES		
Recoveries of direct costs <i>(note 5)</i>	137,684	118,038
Funds management fees	28,636	22,240
Other	314	229
Total Revenues	166,634	140,507
EXPENSES		
Direct costs <i>(note 5)</i>	137,684	118,038
Salaries and benefits	21,486	15,809
Systems operations <i>(note 8)</i>	3,052	2,424
Office and business <i>(note 8)</i>	1,533	1,521
Rent	979	862
Insurance	622	660
Other	1,218	1,294
Total Expenses	166,574	140,608
NET INCOME (LOSS)	60	(101)
RETAINED EARNINGS – beginning of year	1,125	1,226
RETAINED EARNINGS – end of year	1,185	1,125

See accompanying notes to consolidated financial statements.

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

YEAR ENDED MARCH 31

	2008 (\$000's)	2007 (\$000's)
CASH FLOW PROVIDED BY (USED FOR):		
Operating activities		
Net Income (loss) for the year	60	(101)
Items not involving cash – Amortization	332	307
Changes in operating accounts		
Accounts receivable	(8,943)	4,101
Prepaid expenses	(119)	(89)
Accounts payable and accrued liabilities	9,791	(3,554)
Long-term employee benefits	365	131
Cash flows from operating activities	1,486	795
Investing activities		
Capital assets	(157)	(100)
INCREASE IN CASH AND SHORT-TERM INVESTMENTS	1,329	695
CASH AND SHORT-TERM INVESTMENTS – beginning of year	7,210	6,515
CASH AND SHORT-TERM INVESTMENTS – end of year	8,539	7,210

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2008

1. Nature of Operations

The British Columbia Investment Management Corporation (the "Corporation") is a Crown corporation under section 16 of the *Public Sector Pension Plans Act*, S.B.C. 1999 c44 (the "Act"). The capital of the Corporation is one share with a par value of ten dollars. The share is issued and registered in the name of the Minister of Finance on behalf of the Province of British Columbia (the "Province").

In accordance with the Act, the Corporation, as agent, can manage the assets of various public sector pension funds, the Province, provincial government bodies (Crown corporations and institutions) and publicly-administered trust funds.

The estimated market value of assets managed by the Corporation as of March 31, 2008 was \$85 billion (2007: \$83 billion). Of that, \$65 billion (2007: \$64 billion) is administered on behalf of pension funds and \$20 billion (2007: \$19 billion) on behalf of various trust funds and other clients. These assets are invested in segregated investments or aggregated in one or more pooled investment portfolios managed by the Corporation. The Corporation annually prepares separate audited financial statements for all pooled investment portfolios with more than one beneficial owner. The financial statements of the pooled investment portfolios and segregated assets held in trust for clients are not consolidated in the financial statements of the Corporation.

The Corporation, in its role of providing fund management services, may control the general partner of certain limited partnerships through which investments are made on behalf of the Corporation's clients. The general partners are incorporated companies in which the Corporation holds the voting shares, which entitle the Corporation to a nominal beneficial interest. Clients hold their share of investments either through a pooled investment portfolio or on a segregated basis. The financial statements of general partner entities which are controlled and in which the Corporation has a beneficial interest (referred to as subsidiaries) are consolidated in the Corporation's financial statements and include:

Subsidiary	Ownership of Voting Shares	Participation Interest
bcIMC Holdco (2007) Inc.	100%	Lesser of 0.001% or \$10,000
4245997 Canada Inc.	100%	1/3 of 0.00001%
bcIMC Fixed Term Corporation	100%	0.01%
bcIMC (IRE GP) Investment Corporation.	100%	1/3 of 0.01%

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2008

The Corporation, as agent, makes investments on behalf of its clients and may also establish companies in which it holds, as trustee, voting (but non-participating) shares for the sole purpose of managing specific investments. As the Corporation has minimal beneficial interest in these entities, they are not consolidated in the Corporation's financial statements.

The Corporation recovers all operating expenses and capital expenditures on a cost recovery basis.

As an agent of the Crown, the Corporation is exempt from federal and provincial income taxes.

2. Significant Accounting Policies

Basis of Presentation - The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Short-Term Investments - Short-term investments are comprised of money market funds, which are readily convertible to cash.

Capital Assets - Capital assets are recorded at cost less accumulated amortization. Software development costs, including labour and material costs for design, construction, testing and implementation, are capitalized when the related business systems are expected to be of continuing benefit to the Corporation.

Amortization is calculated on a straight-line basis over the following estimated useful asset lives:

Furniture, equipment	10 years
Computers and related software	3 - 5 years

Leasehold improvements and interests are amortized on a straight-line basis over the remaining current lease term.

Long-term Incentive Plan - The Company provides a retention incentive to employees in senior staff positions through a long-term incentive plan ("LTIP"). Eligible staff are entitled to their first LTIP payment after four complete fiscal years of employment with the Corporation. LTIP is accrued for eligible employees at an amount equal to one quarter of the estimated aggregate pay-out for the current year and each of the following three years. The estimated payments for years beyond the next fiscal year are recorded as a long-term liability.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2008

Post-Employment Benefits

a) The Corporation and its employees contribute to the Public Service Pension Plan (the "Plan") in accordance with the Act. The British Columbia Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the Act applies. The Plan is a multi-employer defined benefit pension plan, and accordingly the Corporation's annual cost is represented by contributions required for the respective year. The Plan operates under joint trusteeship between the employers and the Plan members, who share in the risks and rewards associated with the Plan's unfunded liability or surplus. The most recent actuarial valuation as of March 31, 2005 indicated that the Plan is in an unfunded liability position, which resulted in a pension contribution rate increase of 1.88% for both employers and employees.

The Corporation's annual cost of employee benefits under the Plan amounted to \$1,181,000 (2007: \$921,000).

b) Employees hired prior to October 31, 2007 are also entitled to a retiring allowance as provided for under their terms of employment. As employees render the services necessary to earn the benefit, the Corporation estimates and accrues the future obligation for retiring allowances. The accrued liability for retiring allowances is \$684,000 (2007: \$545,000).

Revenues - Revenues are received from: recoveries of direct costs related to the pooled investment portfolios and segregated investments; fees charged for funds management services; and the Corporation's investments.

Direct cost recoveries and funds management fees revenues are accrued as the related costs are incurred and as management services are provided. Fees are charged at a level that the Corporation estimates will allow it to recover all cash outlays and accrued expenses, including capital expenditures.

General Reserve - General reserves for future expenditures may be appropriated from retained earnings at the discretion of the Board.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2008

Measurement Uncertainty - The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts on the Consolidated Balance Sheet and Consolidated Statement of Operations and Retained Earnings. Subjective estimates include long-term incentive plan and retirement allowance accruals. Management believes its estimates to be appropriate, however, actual results could differ and any differences will be reflected in the future period in which they are identified.

Comparative Figures - Certain 2007 comparative figures have been reclassified to conform to the current year's presentation.

3. Future Accounting Changes

Section 3855 – Financial Instruments – Recognition and Measurement

On April 1, 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3855, "Financial Instruments – Recognition and Measurement" of the CICA Handbook – Accounting, which establishes Canadian generally accepted accounting principles (GAAP) for measuring financial assets, financial liabilities and non-financial derivatives. Section 3855 will apply to the Corporation for the fiscal year beginning on April 1, 2008.

Under Section 3855, the Corporation will be designating its short-term investments as held for trading, which will require it to measure these investments at fair value and recognize any unrealized gains or losses in net income (loss). The Corporation does not expect that the impact of these new standards will have a material effect on the financial statements as the short-term investments are not subject to significant changes in value.

This change under Section 3855 will not result in the restatement of comparative figures for 2008 as the new standard requires retrospective adoption without restatement. However, with respect to the change in valuation, a transition adjustment will be recorded to the opening balances of net assets and short-term investments, as applicable.

Section 3862 - Financial Instruments – Disclosures and Section 3863 - Financial Instruments – Presentation

Section 3862, Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation of the CICA Handbook will also be applicable to the Corporation for its fiscal year beginning April 1, 2008. These new sections enhance existing disclosure and presentation of the nature and scope of the risks associated with financial instruments as well as the way these risks are managed. These standards have no impact on the recognition or measurement of financial instruments.

4. Cash and Short-Term Investments (\$000's)

Short-term investments consist of units in pooled investment portfolios managed by the Corporation, specifically the Canadian Money Market Fund ST2 and the U.S. Money Market Fund ST3. U.S. dollar investments are translated at the year-end foreign exchange rate.

	Canadian	U.S.	2008	Canadian	U.S.	2007
(Overdraft) Cash	(717)	(102)	(819)	219	11	230
Short-term Investments	9,351	7	9,358	6,911	69	6,980
	8,634	(95)	8,539	7,130	80	7,210

5. Direct Costs (\$000's)

The Corporation contracts with third parties for investment, custodial, legal, audit and other services.

- a) Costs related to providing funds management services and administering investments on behalf of a specific client's segregated investment or a pooled investment portfolio administered by the Corporation are recovered directly from that entity. These direct costs are shown as expenses, and the recovery of these costs as revenue, in the Consolidated Statement of Operations and Retained Earnings.

	2008	2007
Investment services	126,080	107,104
Custodial	7,445	7,130
Legal, audit, other	4,159	3,804
	137,684	118,038

- b) The direct costs receivable reflects amounts not yet recovered from pooled investment portfolios or segregated investment clients, and the direct costs payable balance is the amount accrued and owing to direct cost service providers.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2008

6. Capital Assets (\$000's)

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Furniture, equipment	412	255	157	191
Computers and related software	1,298	1,001	297	351
Leasehold improvements and interests	764	499	265	352
	2,474	1,755	719	894

7. Long-Term Employee Benefits (\$000's)

	2008	2007
Accrual for employee benefits	3,358	2,753
Less short-term portion, included in		
Accounts payable and accrued liabilities - Other	1,066	826
Long-term employee benefits	2,292	1,927

8. Related Party Transactions

The Corporation is related to all Province of British Columbia ministries, agencies and Crown corporations through common ownership. Related party transactions included in other accounts payable and accrued liabilities total \$200,000 (2007: \$111,000).

Transactions with these entities are in the normal course of operations and are recorded at the exchange amounts. Services obtained from the Province and Crown corporations during the year totaled \$426,000 (2007: \$480,000), which included \$277,000 (2007: \$292,000) for system operations and \$149,000 (2007: \$188,000) for office and business services.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2008

9. Commitments

The Corporation leases premises under various operating leases which expire in 2010 and 2017.

Future minimum payments, by fiscal year, and in aggregate, are as follows:

2009	\$	956,000
2010		825,000
2011		84,000
2012		84,000
2013		84,000
	\$	2,033,000

10. Fair Values

The carrying values of cash and short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to their short-term nature.

The fair value of long-term employee benefits is less than its carrying value because the amounts are due in years after 2009 and they do not bear interest. The fair value of the long-term employee benefits is estimated by management to be approximately \$2.1 million which was estimated by discounting the future cash flows using the Government of Canada bond rate over a comparable term to maturity.

GLOSSARY

ACTIVE MANAGEMENT

A more hands-on investment management approach that aims to achieve returns above a set benchmark.

ALPHA

A return above a market benchmark.

ANNUAL RATE OF RETURN

The rate of return generated over a 12-month period.

ANNUALIZED RATE OF RETURN

The conversion of multiple years' returns to an average annual return.

ASSET-LIABILITY STUDY

An assessment of a clients' investment strategy relative to their liability profile.

BENCHMARK

A standard used to assess investment performance, typically are recognized market indexes that measure price movements of a basket of representative securities.

BOMA GO GREEN

A voluntary "best practices" environmental certification program, designed for existing buildings and offered by BOMA Canada.

BOMA GO GREEN PLUS

An extension of the BOMA Go Green program that provides benchmarks and scoring reports on the performance of a building according to certain criteria.

COVENANTS

A bond issuer's enforceable promise to perform or refrain from performing certain actions.

CREDIT RISK

The risk of loss resulting from a borrower's inability to meet its financial obligations such as interest and/or principal payments.

DIVERSIFICATION

Investing in a variety of assets or through a number of managers to reduce risk.

ENHANCED INDEXING

An investment strategy that combines the alpha generating strategies of active management with the risk controls of indexing.

FIDUCIARY

An individual, organization, or association with control or influence over the property of another party, and legally obligated to act in the best financial interests of the beneficiaries.

INDEXED MANAGEMENT

A low-cost, low-risk approach to receive an equity market return.

INVESTMENT HORIZON

The period of time over which money is to be invested.

LEED

An acronym for Leadership in Energy and Environmental Design, a voluntary, consensus-based national standard for developing high-performance, sustainable buildings sponsored by the U.S. Green Building Council.

MAPLE BONDS

Bonds issued by non-Canadian borrowers, both governments and corporations, in the domestic bond market.

MARKET RISK

The relationship between changes in the overall market returns and returns on a client's portfolio.

PORTFOLIO

The mix of assets held by a client that is a combined holding of more than one investment or asset type.

REAL ASSETS

Investments distinguished by physical and tangible assets such as land, buildings, infrastructure, commodities, and natural resources such as timber.

RECAPITALIZATION

Used to re-finance privately held companies and provide returns to shareholders without requiring a total sale of the company.

SECTION 5970 REPORT

An independent report prepared and audited under Section 5970 of the Canadian Institute of Chartered Accountants' handbook. It reports on the internal controls used for the recording and reporting of information used in preparing the entity's financial statements.

UNDERWRITING

The process of quantifying the risks involved in a specific loan and setting suitable terms and conditions.

YIELD CURVE

The relationship between bond yields and maturity lengths at any given time. The yield curve usually has a positive slope (i.e., yields on long-term bonds generally exceed yields on short-term bonds). In an inverted yield curve, long-term yields are lower than short-term yields.

bcIMC's EXTERNAL MANAGERS AND PARTNERS

AUDITOR

- KPMG LLP

CURRENCY

- Bridgewater Associates Inc.
- Mellon Capital Management
- State Street Associates Currency Management

GLOBAL CUSTODIAN

- RBC Dexia Investor Services Trust

LEGAL ADVISORS

- Blake Casells & Graydon LLP
- Lawson Lundell LLP
- Lane Powell PC
- McCullough, O'Connor & Irwin LLP

MORTGAGES

- Bentall Capital LP
- Canadian Mortgage Loan Services Ltd.
- Dale & Lessmann LLP
- Tricon Capital Group Inc.

PRIVATE PLACEMENTS

- Adams Street Partners LLC
- Advent International Corporation
- Affinity Equity Partners
- AIG Capital Partners Inc.
- AIG Highstar Capital LLC
- Apollo Management
- ArcLight Capital Partners LLC
- AsiaVest Partners, TCW/YFY (Taiwan) Ltd.
- Banyan Capital Partners
- BC Partners Limited

- Birch Hill Private Equity Partners Management Inc.
- Blackstone Management Partners V LLC
- Bridgepoint Capital Limited
- Brookfield Asset Management Inc.
- CAI Advisors & Co.
- Callisto Capital Management
- Canaan Partners
- Candover Partners Ltd.
- Carlyle/Riverstone Renewable Energy Partners
- Cartesian Capital Group LLC
- Cascadia Partners LLC
- CCMP Asia Equity Partners
- Celtic House General Partner
- Cinven Capital Management Ltd.
- CVC Asia Pacific (Japan) Ltd.
- CVC Capital Partners Ltd.
- Draper Fisher Jurvetson
- Energy Capital Partners
- First Reserve Corporation
- Francisco Partners
- Glenmount International
- Greenstone Venture Partners
- GrowthWorks Capital Ltd.
- H & Q Asia Pacific
- HarbourVest Partners, LLC
- Hellman & Friedman Capital Partners LLC
- HSBC Capital (Canada) Inc.
- Industri Kapital AB
- Kern Energy Partners Management Ltd.
- Leonard Green & Partners
- Macquarie Bank Ltd.
- Macquarie North America Ltd.
- MatlinPatterson Global Advisors LLC

- McKenna Gale Capital Inc.
- McLean Watson Capital Inc.
- MDS Capital Corp.
- Mercantile Bancorp Ltd.
- Mezzanine Management Ltd.
- MKS Consulting Limited
- MWI & Partners Inc.
- Newbridge Capital Ltd.
- Norvest Capital Partners Inc.
- Oaktree Capital Management
- Pacven Walden Inc.
- PAI Partners S.A.S.
- PAMA Group Inc.
- Pantheon Ventures Limited
- Penfund Management Ltd.
- Polaris Venture Partners
- PrimePartners Asset Management Ltd.
- Propulsion Ventures Inc.
- RFG Management Ltd.
- SVG Advisers Inc.
- Syntectic Ventures LLC.
- Tailwind Capital Partners
- Texas Pacific Group
- Tricor Pacific Capital, Inc.
- TriWest Capital Partners
- Ventures West Management Inc.
- Wayzata Investment Partners
- Wellspring Capital Partners
- Yaletown Venture Partners

PUBLIC EQUITIES

- Aberdeen Asset Management Asia Ltd.
- Acadian Asset Management
- Advisory Research, Inc.
- AllianceBernstein LP

- Bank of Ireland Asset Management
- Barclays Global Investors Canada Ltd.
- Bissett Investment Management
- Clay Finlay, Inc.
- Connor, Clark & Lunn Investment Management Ltd.
- GE Asset Management Inc.
- Guardian Capital LP
- Jarislowsky Fraser Limited
- J.P. Morgan Asset Management
- McLean Budden Limited
- Montag & Caldwell Investment Counsel Inc.
- Oechsle International Advisors LLC
- Phillips, Hager & North Investment Management Ltd.
- Pictet Asset Management Ltd.
- Pyrford International Ltd.
- TT International Ltd.
- UBS Global Asset Management
- Van Berkom and Associates Inc.
- Wellington Management Company LLP

REAL ESTATE

- Apex LP
- bcIMC Hospitality Group Inc.
- Bentall Capital LP
- Brookfield Asset Management Inc.
- Doughty Hanson & Co.
- GWL Realty Advisor Inc.
- LaSalle Investment Management
- Lowe Enterprises
- MGPA
- Prudential Real Estate Investors

bcIMC's CORPORATE OFFICERS



DOUG PEARCE
Chief Executive Officer and
Chief Investment Officer



DEAN ATKINS
VP Mortgages



PAUL FLANAGAN
VP Fixed Income



CHUCK SWANSON
VP Real Estate



BRYAN THOMSON
VP Equity Investments



LINCOLN WEBB
VP Private Placements



ROBERT DES TROIS MAISONS
VP Legal Affairs and
General Counsel



CAROL IVERSON
VP Human Resources



DARYL JONES
VP Consulting and
Client Services



KIM THORNER
VP Trade Management and
Compliance



DAVID WOODWARD
VP Finance and Operations

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We welcome your comments and suggestions on our annual report.

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Investment
Management
Corporation



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